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PRC Advises Against Network and Service Standard Changes

In a 301-page document released January 31, the Postal Regulatory Commission issued its advisory opinion in Docket N2024-1, *Operational and Service Standard Changes Related to the Delivering for America Plan, 2024*, responding to a request filed by the Postal Service on October 4, 2024.

Summary

The PRC was not ambiguous in its unanimous opinion. As stated in the executive summary:

"The Commission finds that the Postal Service's proposal relies on defective modeling, overly optimistic financial and cost saving projections, and unclear timeframes for rollout of the changes. In addition, the Commission finds that the proposal fails to fully consider the significant, negative impact of these changes on rural communities across the country. The Commission's findings are summarized below.

"The proposal relies on defective modeling and is ill-prepared for implementation. The Commission finds that many aspects of the proposed RTO initiative lack adequate research and preparation. The Postal Service makes several errors including basic steps such as not identifying all the offices within the scope of the initiative. In addition, the Postal Service has not developed a comprehensive RTO model, opting instead to use a Local Transportation Optimization (LTO) model as a proxy despite important differences between RTO and LTO. The Commission is also concerned about the speed at which the Postal Service plans to implement these changes, finding the potential for service downgrades prior to the realization of the full benefits of the network optimization. ...

"Similarly, the Commission identifies several issues with the proposed RPDC/LPC network changes related to the facility location optimization process, the transportation model development, the disconnect between the transportation models and the processing operations, and the heavy reliance on transportation utilization in determining cost savings without including processing operations. The Commission concludes that it is unlikely that the Postal Service will create a more efficient network compared to the legacy network.

"The Commission finds that the projections are based on assumption and conjecture that potentially lead to uncertainty about whether the Postal Service can achieve them, or even properly track and measure the success of the initiatives to determine whether additional change or alternative measures are necessary. Other than saying 'trust us,' the Postal Service offers little convincing evidence or testimony to reasonably support its claims that its proposed actions will turn out the way it estimates.

"The projected cost savings will not significantly improve the financial health of the Postal Service. The Commission identifies several concerns with the Postal Service's methodology for estimating cost savings, including capture rate assumptions that lack empirical validation, potential measurement inaccuracy, an unclear timeline for savings realization, and a lack of clarity regarding the overall effect on the Postal Service's financial health. The Commission finds that the total projected cost savings, even if fully realized, represent approximately 4.4 percent of the Postal Service's FY 2024 operating expenses of $81.8 billion. The Commission supports the Postal Service's efforts to save on costs. However, with operating expenses expected to increase in FY 2025, the projected savings are not likely to significantly improve the Postal Service's financial condition.

"The proposal will have significant negative impacts on certain mail products and rural communities. The Commission finds that the Postal Service presents an overly optimistic – if not incomplete and misleading – description of how the proposed service standard changes will impact the American public. In particular, the Commission finds that the Postal Service focuses on the potential enhanced service under the proposed service standards and downplays the significant negative effects that its proposal will have on certain mail categories, mail classes, and rural communities. For example, for Single-Piece First-Class Mail, 49.5 percent of ZIP Code pairs will have downgraded service. Periodicals and Package Services will also experience significant downgrades.

"The Commission also finds that the Postal Service's volume-based approach to analyzing rural versus urban service degradation glosses over the true impacts rural communities will experience. Impact analysis by ZIP Code pair reveals that rural communities will experience disproportionate negative service standard impacts as a result of the Postal Service's proposed changes to the service standards. In considering the Postal Service's claims that service performance and reliability will improve as a result of its proposed changes, the Commission is concerned that the opposite may occur, as demonstrated by the considerable decline in service performance in areas such as Richmond, Virginia and Atlanta, Georgia where the proposed network changes have already been implemented. The Commission is also concerned that these disproportionate impacts will most greatly affect rural citizens and businesses who rely heavily on the Postal Service, delaying both their outgoing mail and their receipt of key documents and other essential items sent from areas also experiencing downgraded service.

"In addition, the Commission finds that excluding Sundays and holidays as transit days for volume entered into the network on Saturdays or the day before a holiday will result in substantial portions of Market Dominant mail taking an extra day (or more) to be delivered. Despite the Postal Service presenting this change as a minor measurement revision, it is plainly a degradation in service impacting the actual number of expected days to delivery for affected mail. In particular, the Commission concludes that the expected delivery for a portion of Single-Piece First-Class Mail will extend to 6 or more days. …

"The Commission also finds that the Postal Service has not demonstrated that it has developed the methodological changes necessary to address the novel issues that arise from the service standard and operational changes proposed in this proceeding and it is doubtful the Postal Service is prepared to accurately, reliably, and representatively measure service performance under these new proposed service standards. …

"As to the statutory requirements, the Commission cannot make a definitive determination at this time as to whether the proposal is consistent with title 39. Because there is too little known about the timeline of the changes and the Postal Service asserts that the changes are subject to continual adjustments, modifications, and variations, the record lacks a solid foundation upon which to evaluate the Postal Service's claims about balancing the objectives and factors set forth in 39 USC § 3691. ... However, the Commission emphasizes that if the Postal Service is unable to mitigate impacts, or if implementation proceeds in a manner that creates further imbalances, such a result could reach the threshold of 'undue or unreasonable.'

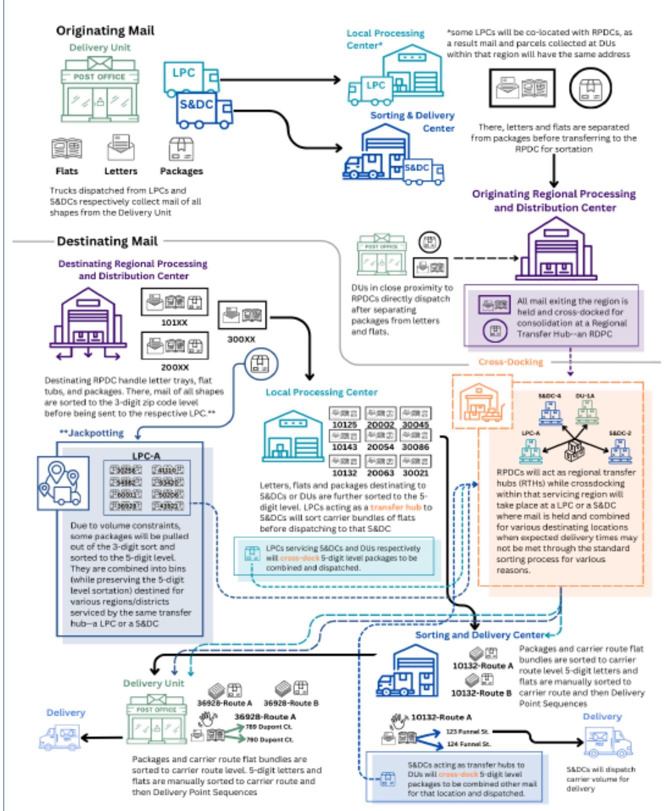
"Furthermore, the Postal Service's proposed changes appear inconsistent with the requirements of 39 USC §§ 101(a) and 101(e). ... The Commission strongly advises the Postal Service to consider these obligations and reconsider the impact of its proposed changes to the service standards, particularly on rural areas and the rural citizens and businesses who rely most heavily on the Postal Service.

"In conclusion, the Commission supports the Postal Service's stated goals of financial stability and service excellence, but the Commission cannot support this proposal. Even if the Postal Service's goals of productivity, efficiency, and cost savings were realized with implementation of these changes, it does not appear the Postal Service has appropriately considered the significant downgrade in service for certain mail products or rural communities. The Commission strongly advises the Postal Service to take into consideration the concerns expressed in this docket as it continues to develop and implement the proposed changes. Further, the Commission advises the Postal Service to closely monitor the impacts of its changes on particular mail products and rural communities. The Commission agrees that changes are needed to ensure the stability of the Postal Service. However, these changes must not come at the expense of the Postal Service's core mission: providing prompt, reliable, and efficient mail service to all Americans – regardless of where they live. The Commission urges the Postal Service to reconsider whether the speculative, meager gains from this proposal outweigh the certain downgrade in service for a significant portion of the nation."

The network

The ensuing eighty pages reviewed the statements of USPS witnesses, the rebuttal cases presented by some intervenors, and intervenors' statements of position. Following that was 195 pages devoted to the commission's analysis of what was presented and it related conclusions, supported by a variety of charts and graphs. Among those helpful illustrations was a very complex map of the new network's mailflow.

Figure VII-A1
End-to-End Material Flows in the New Network



Source: USPS-T-1 at 23-26.

LTO/RTO

The commission expanded at length on its review and analysis of the Postal Service's proposal to eliminate afternoon collections, stating, in part that it concluded that the USPS:

- "… has not justified the 50-mile RPDC service areas, in part because it has not run a model to determine that the 50-mile radius is a necessary balance of cost and service in each region;
- "… has not justified the hub and spoke inter-facility transportation approach because it has not developed a model to illustrate that this approach provides a necessary balance of cost and service in each region, and nationwide; [and]
- "… has not justified or explained its mail processing changes because it has not run a model to show that it has the mail processing equipment, floor space, and operating windows available to operate its new network efficiently and effectively. Other than saying 'trust us,' the Postal Service offers little convincing evidence or testimony to reasonably support its claims that its proposed actions will turn out the way it estimates."

Regarding the impact of the Regional Transportation Optimization initiative (successor to the Local Transportation Optimization plan), the PRC stated:

"Although identification of facilities within the scope of the initiative is the preliminary crucial step in implementing RTO, upon which all subsequent service and cost impact analyses depend, the Commission review of the available data shows that the Postal Service has made several errors in this identification. … In addition, as the Postal Service's OIG found, the Postal Service management's failure to keep track of its list of optimized offices has already impeded accurate cost savings tracking for LTO pilots.

"… The Commission notes that the scope of RTO, the way the Postal Service is proposing it, is immense. It could potentially affect 72.4 percent of all Post Offices that currently collect mail and 74.9 percent of 5-Digit ZIP Codes in which the Postal Service has collection facilities. … In comparison, a nationwide implementation of the LTO initiative, had it been proposed, would have impacted 51.9 percent of collection sites. ... The Commission is concerned that given the immense scope of the initiative, its poor execution would have negative nationwide consequences."

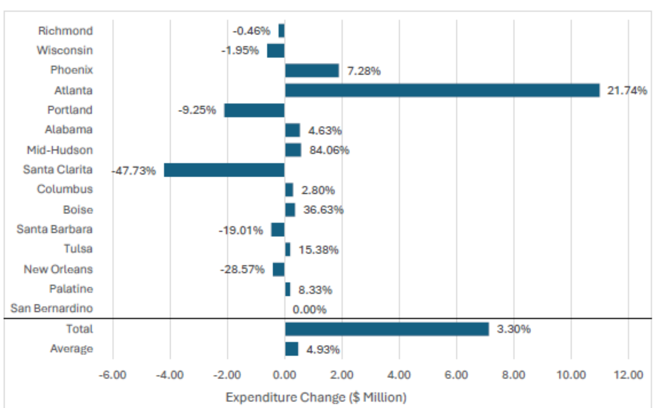
The relative proportion of offices impacted by the RTO, compared to the entire country, was dramatically illustrated:

Figure VII-B1
RTO-Eligible 5-Digit ZIP Codes

Source: Library Reference PRC-LR-N2024-1-1, Excel file "Section B. RTO.xlsx," tab "Export GIS."

The commission also illustrated that the savings alleged to inure from LTO/RTO do not always occur:

Figure VII-B2
LTO Region Pre-LTO and Post-LTO Expenditure Change
($ Million and Percentage Change)



Source: Library Reference PRC-LR-N2024-1-1, Excel file "Section B. RTO.xlsx," tab "Figure VII-B2."

The PRC concluded:

"The scope of RTO is nationwide and far exceeds that of LTO. The Postal Service, however, has not demonstrated commensurate preparation and readiness for such an initiative. Although one of the key insights taken from LTO pilots by the Postal Service was to allot enough time for various steps in the process, many aspects of the proposed RTO initiative are rushed and unresearched. The Postal Service makes several errors at the basic step of identifying the offices within the scope of the initiative. It has not developed a dedicated model for an initiative even though it would affect almost three quarters of postal offices nationwide. Instead, it opted to use the LTO Model that is not appropriate for extrapolating to the potential nationwide impacts of RTO. Despite these shortcomings, the Postal Service maintains that it has the implementation competency to succeed while it has a questionable record with Dynamic Route Optimization and LTO pilots.

"The Commission's concern regarding proper planning is exacerbated by the Postal Service's haste to implement proposed changes. The Postal Service could implement Leg 1 service standard updates and RTO even if RPDC activation has not yet occurred or as soon as models are finalized for campuses, potentially downgrading service months before the full benefits from optimization could materialize. …"

LPCs/RPDCs

The commission observed that

"… There are two notable differences between the new RPDC/LPC Leg 2 transportation network and the existing (legacy) inter-facility transportation network, one structural and one operational. Structurally, the RPDC/LPC network is a major change because of the reduction in the number of facilities, or transportation network nodes. The current network has more than 400 facilities. The information provided by the Postal Service identifies 229 facilities in the proposed RPDC/LPC network. The Postal Service states that the reduction in the number of facilities means that there are fewer links in the network, which provides the opportunity to reduce trips and increase capacity utilization. Operationally, the RPDC/LPC network, as a hub-and-spoke network, represents a major change because only certain facility types have direct transportation lanes (i.e., only certain facility types are directly connected). The current network contains more direct connections via a combination of inter-area, inter-cluster, and inter-P&DC transportation. …

"The Postal Service has neither finalized the list of specific locations nor fully determined processing equipment or assignments of its future mail processing network. The Postal Service repeatedly states that the specific locations, mail processing assignments, and transportation lanes of the future network are still being decided. …

"… While the Postal Service projects significant cost savings and improved service reliability from this network, it has not demonstrated that these projections are reliable. … The Commission finds that while the Postal Service announces the advantages of the new RPDC hub-and-spoke network, it has not operationally tested the underlying transportation model. … The Commission concludes that in the current proceeding, the Postal Service provides a broad concept of a potential plan for transformative change without performing the fundamental and foundational work necessary to project, with confidence, that this generational change is likely to result in a more efficient, effective, and robust network."

The commission questioned how the USPS used modeling to identify the location for network facilities.

"The Postal Service states that a goal for the RPDC/LPC network is to 'ensure that each state had some portion of its population with next day service.' In the proposed RPDC/LPC facility list, however, two states (Wyoming and South Dakota) have no population that will be eligible for next-day service.

"The Postal Service has not explained how it balances the cost of having RPDCs in these two states and the service impact of not having originating processing in these two states.

"Finally, the Postal Service does not use historical mail processing costs or productivities in determining where to locate facilities. In fact, the Postal Service has not developed any comprehensive model that includes mail processing costs or productivities. …

"The purpose of the Greenfield approach is to evaluate the location of the facilities in the context of where they are needed. The Postal Service states that '[p]opulation was used in very early models, but that was changed to be focused on package volume. More recent models used package volume as a proxy for population.' The Postal Service does not explain why package volume is a reasonable proxy for population, or why it is a better indicator of facility location than total mail volume or actual population. Package volume accounted for approximately 6 percent of total volume in FY 2023. The Commission therefore concludes that the Postal Service does not justify that the package volume input data it uses for this modeling effort is a good indicator of the demand for mail by location. …"

The commission offered an illustration of how Greenfield modeling would yield facility locations that are different from where the USPS chose to site its major facilities.

Figure VII-C1
RPDC Locations and Locations Determined by Application of the Greenfield Approach

Source: Library Reference USPS-LR-N2024-1-12, October 31, 2024; Library Reference USPS-LR-N2024-1-30, Excel file "GreenfieldLocations.xlsx."

"The Commission finds two key issues with the Greenfield approach used by the Postal Service. First, the Commission notes that the Greenfield approach may have yielded more reasonable results if a more appropriate volume proxy was used. The use of package volumes, which constitute only 6 percent of total volume, for this network modeling effort suggests that package volumes have an oversized influence in the design of the future network. The second key issue with this approach is that the Postal Service does not substantially use the Greenfield approach to determine where to locate facilities. The Postal Service has not provided any analysis of how costs and service performance in an RPDC network built around the results of the Greenfield application would differ from costs and service performance at the facilities it actually selected. The Postal Service has not provided a quantitative methodology to identify locations that would be better served by a new facility or can be more cost-effectively served by existing facilities. …"

The PRC also examined the "regional transportation hub," a designation for some RPDCs that will serve as transfer points for destinating mail from other RPDCs. In its illustration, the commission portrayed mail from the Seattle RPDC being received by the New Jersey RPDC for transfer to the Washington, Boston, and Southern Maine RPDCs for further processing to their respective LPCs.

"The Commission has reviewed the assumptions in the Postal Service's transportation model to better understand how RTH operations work in this efficient future network. As detailed below, these assumptions do not align with the current operational realities of the Postal Service. In its MIP model, the Postal Service does not consider any additional operational costs incurred at the hubs due to cross-docking and consolidating of the mail that will move further downstream to other RPDCs and LPCs.

"This means that while the MIP model selects hubs for cross-docking that minimize the total mileage for the mail flows, the model is not selecting hubs using information on the total costs of the Postal Service (e.g., including mail processing costs). The MIP model is based on additional assumptions that include: unlimited facility space, on-time trips, consistent departure times, sufficient trucks, and 100 percent capacity utilization (where required by available cubic footage). These assumptions create a fictional transportation network without accounting for real-world interactions. While this model may be instructive for how a hub-and-spoke network can work it is not a meaningful analysis of how it will actually work."

Service

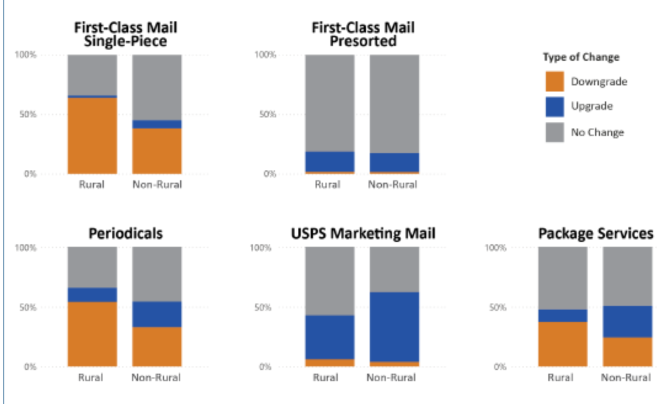
The commission devoted over fifty pages to its review and analysis of the impact on service expected from the Postal Service's network changes.

"Despite the Postal Service's view that its estimates 'accurately represent the anticipated impact[s],' the Commission finds that the Postal Service does not have high quality data for Single-Piece FCM at the level of detail necessary to accurately estimate the impact of the proposed changes to the service standards on Single-Piece volumes. ...

"In addition, the Commission concludes that the Postal Service's volume-based approach is misleading because it allows the impacts from the highest volume areas to mute the impacts in lower volume areas. ...

"In Figure VII-E4, the Commission presents its 5-Digit Origin to 3-Digit Destination ZIP Code pair impact analysis, which uses the same urban and rural designations as the Postal Service's volume-based analysis. The Commission's analysis confirms that the Postal Service's volume-based analysis obscures and minimizes negative impacts on rural areas by giving greater weight to higher volume areas. The Origin-Destination ZIP Code pair analysis demonstrates that rural areas are substantially more vulnerable to the negative effects of the proposed changes to the service standards and that rural communities will experience substantially higher levels of downgraded service than urban areas. …

Figure VII-E4
Service Standard Changes Based on ZIP Code Pairs
Rural/Non-Rural Breakdown Using Postal Service Designation



Source: Revised Library Reference USPS-LR-N2024-1-3; Revised Library Reference USPS-LR-N2024-1-6, November 29, 2024; USPS-T-2 at 13. *See* Response to POIR No. 1, question 36.

"The Commission finds that the Postal Service presents a particularly positive picture of enhanced service under the proposed service standards and downplays the significant and imbalanced negative effects that its proposal will have on certain mail categories,

> classes, and rural communities in particular. Despite the Postal Service's claim that the benefits of the proposal to the Postal Service 'will not come at the price of degraded service' and its volume-based analysis showing greater stability in service standards and limited downgraded service, the Commission finds that substantial portions of the country will experience significant degradations in service standards under the Postal Service's proposal.
>
> "Under the Postal Service's proposed changes, Single-Piece FCM will see a particularly negative impact with 49.5 percent of ZIP Code pairs experiencing service standard downgrades. …
>
> "The Commission is also concerned that the Postal Service's expectation that service performance and service reliability will improve as a result of its proposed changes will prove false … ."

Regarding the Postal Service's proposed changes to how it measures service, the Commission noted:

> "Despite the Postal Service presenting this change as a minor measurement revision, it is plainly a degradation in service impacting the actual number of expected days to delivery for affected mail. …"

The PRC cited an apt comment by one of the intervenors who stated that " '[r]ather than admitting that the service standard is changing, the Postal Service instead plans to change the way it keeps score,' " and that "this change 'will make service look better than it actually is.' " The intervenor hit the nail on the head.

Commissioner Tom Day provided additional views, arguing that the USPS used a less accurate method of modeling, stating that

> "In referencing both the written and oral testimony of the Postal Service witnesses, it is apparent that a Deterministic model was utilized. The only aspect of variation that was employed was to not use an average. Instead, they used the 85th percentile of the data distribution employed. While this does account for some level of variability, it does not consider the day-to-day variation that takes place throughout the Postal network.
>
> "To further reduce the validity, the Postal Service used two separate models – one for transportation and, illogically, a separate one for operations. During the hearing in this case, we heard testimony from Postal Service witness who explicitly confirmed that the two models were never integrated.
>
> "When a complex logistics network like the Postal Service's separately models transportation and processing operations, they are certain to create 'Sub-Optimization.' It is understood within Systems Engineering and Operations Research that optimizing individual components of a network will invariably lead to 'Sub-Optimization' of the total network. …
>
> "In developing the DFA Plan, the Postal Service utilized Deterministic modeling as a shortcut to find a quick and easy solution. It further degraded the effectiveness of the modeling by failing to integrate transportation with processing operations. By choosing this methodology, the Postal Service has committed itself to a fundamentally flawed plan.
>
> "DFA needs to be immediately paused. The logistics network model needs to be completely redone with valid historical data utilizing a Stochastic model.
>
> "There is no certainty that a Stochastic model will achieve 'break-even' financial results or a restoration of 95-percent on-time service performance. ... What is guaranteed is that the Stochastic model will provide far better real-world performance than what can ever be achieved by the current DFA Plan. …"

Observations

Two things are apparent from reading the advisory opinion. The first is the incomplete or insufficient work underlying the Postal Service proposal, as the commission repeatedly found. Second would be the indifference – if not arrogance – of the Postal Service symbolized by its proffering such a proposal with inadequate justifications and a "trust us" attitude that, despite the paucity of support, the promised benefits would ensue.

Unfortunately, under the leadership of Postmaster General Louis DeJoy and his loyal minions, that is what we've come to expect. The monotheistic obsession with the 10-Year Plan, apparently infecting the Postal Service from its governors through much of its executive ranks, has resulted in the headlong implementation of the Plan's elements with zealous fidelity, with no effort to prove their validity and indifferent to how they might impact USPS customers.

Allegedly, Louis XIV of France once expressed his superiority over the French legislature by saying "L'Etat, c'est moi," i.e., "the state, it's me." Now, under their own Louis, USPS customers, the agency's regulator, and any interested legislators all are being told, essentially, "the USPS, it's me." Accordingly, under his absolutist rule, whatever DeJoy says goes, regardless of whether it's the best course of action, whether it was well considered and evaluated, or whether it serves USPS customers well. If it serves DeJoy's objectives, it is, by definition, good and worthy of implementation.

Under the current statute, though the Postal Service must seek an advisory opinion from the PRC regarding changes to service on a nationwide basis, such as those covered in the docket just decided, it doesn't have any obligation to do anything with the commission's advice.

Therefore, in effect, thousands of hours of labor and likely millions in expense have been consumed to check a statutory box, i.e., to develop and provide a thorough and detailed analysis in support of conclusions and recommendations that, in the end, are unenforceable and will be ignored.

Louis DeJoy has made it clear that he has no regard for the commission, its processes, or its advice, and that the Postal Service will proceed with the implementation of its network and service changes regardless of what the commission may conclude. It's all part of his Plan and, as noted, it must be implemented as he intends.

That the agency must seek an advisory opinion that it is allowed to ignore represents a major flaw in the current regulatory framework and neutralizes the value that should derive from the commission's work. When legislators examine the PRC's opinion and how DeJoy will dismiss it, they might be wise to act to correct that flaw and provide the commission with authority commensurate with its responsibilities.

In a more immediate sense, legislators representing the majority of the country that's adversely impacted by the USPS proposal will express their concern – they want the support of the affected voters – but, if history holds, will do nothing more than the politically required press releases or ranting at a televised hearing; effective action would take real work.

Holiday Mailing Boosts USPS Quarterly Results

For revenue and volume, the first quarter of the Postal Service's fiscal year – the months of October through December – is customarily the agency's best. PQI of FY 2025 had not only holiday mailing but election mail, and so provided what by the end of the year may be the best quarter that the USPS will have had.

Revenue and volume

As shown on the Postal Service's *Form 10-Q*, released after the February 6 meeting of the agency's Board of Governors, total revenue increased 4.09% compared to the same period of FY 2024, not because of higher volume but because of the two price increases imposed in the interim – nearly 2% in January and 7.755% in July. Despite lower volume in other market-dominant classes, the 7.04% surge in Marketing Mail related to the election lifted total volume by 1.78%.

	Three Months Ended December 31,	
(in millions)	2024	2023
Operating Revenue:		
First-Class Mail	$ 7,005	$ 6,721
Marketing Mail[1]	4,589	4,139
Shipping and Packages[2]	9,351	9,079
International	384	429
Periodicals	242	238
Other[3]	928	1,008
Total operating revenue	**$ 22,499**	**$ 21,614**
Volume:		
First-Class Mail	11,435	11,899
Marketing Mail[1]	16,628	15,535
Shipping and Packages[2]	2,014	2,033
International	79	92
Periodicals	681	729
Other[4]	178	185
Total volume	**31,015**	**30,473**

However, despite Postmaster General Louis DeJoy's desire to transform the USPS into a major player in package shipping, the related PQI numbers were less than impressive. Total competitive product volume fell almost 1%, though revenue increased 3% thanks to price increases.

(in millions)	Three Months Ended December 31,	
	2024	2023
Shipping and Packages Revenue:		
Priority Mail Services[1]	$ 1,892	$ 2,486
Parcel Services[2]	2,987	3,014
USPS Ground Advantage	4,234	3,333
Package Services	238	246
Total Shipping and Packages revenue	**$ 9,351**	**$ 9,079**
Shipping and Packages Volume:		
Priority Mail Services[1]	159	235
Parcel Services[2]	1,034	1,067
USPS Ground Advantage	713	614
Package Services	108	117
Total Shipping and Packages volume	**2,014**	**2,033**

[1] Includes *Priority Mail and Priority Mail Express.*
[2] Includes *Parcel Select, Parcel Return,* and *Marketing Mail Parcels.*

Expenses

Employee costs continued to increase over the quarter, rising 4.4% compared to SPLY. The USPS attributed this to "contractual wages increased as a result of the inflationary impacts on related COLA and the higher number of work hours," all factors that the agency's management *can* control but doesn't. (The USPS is in contract negotiations with three of its unions and likely will fail – again – to reign in wage increases, let alone eliminate cost-of-living increases.)

	Three Months Ended December 31,	
(in millions)	2024	2023
Compensation	$ 12,051	$ 11,536
Employee health benefits	1,422	1,360
Social Security	677	655
Thrift Savings Plan	404	387
Other	99	97
Total compensation and benefits	**$ 14,653**	**$ 14,035**

Last year, board chairman Roman Martinez IV blamed the "uncontrollable" workers' compensation expense for driving the agency's bottom line into the red. For PQI/FY 2025, however, workers' comp costs swung nearly $1.8 billion into the Postal Service's favor, but there was no comparable credit given the line item this time, even though it contributed significantly to the bottom line's *black* ink.

	Three Months Ended December 31,	
(in millions)	2024	2023
Impact of discount rate changes	$ (1,036)	$ 980
Actuarial revaluation of existing cases	493	315
Cost of new cases	370	284
Administrative fee	25	24
Total workers' compensation (benefit) expense	**$ (148)**	**$ 1,603**
Less cash payments made by the DOL on behalf of workers' compensation obligations	(477)	(434)
Total workers' compensation non-cash (benefit) expense	**$ (625)**	**$ 1,169**

As would be expected given DeJoy's cuts in air transportation and other contracted mail transport in general – all to enable slower service – transportation costs were 12.9% lower than SPLY. (The costs for insourced local transportation service performed by postal employees in *not* in this figure, so any alleged savings from the termination of contracted services is not reported.)

	Three Months Ended December 31,	
(in millions)	2024	2023
Highway	$ 1,568	$ 1,712
Air	539	704
International	78	100
Other	13	8
Total transportation expense	**$ 2,198**	**$ 2,524**

Overall, the Postal Service reported a net income of $144 million for the quarter, much better than the $2.072 billion loss for PQI/FY 2024, but – given the exceptional mailing activity *this year* – hardly indicative of a turnaround in USPS finances for the entire fiscal year.

	Three Months Ended December 31,	
(in millions)	2024	2023
Revenue:		
Operating revenue	$ 22,499	$ 21,614
Other revenue	38	3
Total revenue	**22,537**	**21,617**
Operating expenses:		
Compensation and benefits	14,653	14,035
Retirement benefits	2,695	2,581
Workers' compensation	(148)	1,603
Transportation	2,198	2,524
Other operating expenses	3,061	3,062
Total operating expenses	**22,459**	**23,805**
Income (loss) from operations	**78**	**(2,188)**
Interest and investment income	213	249
Interest expense	(147)	(133)
Net income (loss)	**$ 144**	**$ (2,072)**

Though revenue for the later months of the year may benefit from an anticipated rate increase of well above 7% in July, that likely will suppress volume again – as will declining service performance. Competitive products, which were essentially flat during what should have been a stellar quarter, may not produce major additional revenue either.

Meanwhile, as contract negotiations conclude – or arbitration decisions are rendered – USPS costs will increase significantly as payouts begin for back pay, higher wages, and more rounds of COLA increases. Offsetting those cannot be achieved simply by further trimming transportation or fundamental supplies and services.

As would be expected of its publicists, the USPS praised the effects of the PMG's 10-Year Plan for delivering the quarter's small net income, but will point elsewhere to explain the rest of what may not be a good year for the USPS.

OIG Finds Continuing Issues at Richmond RPDC

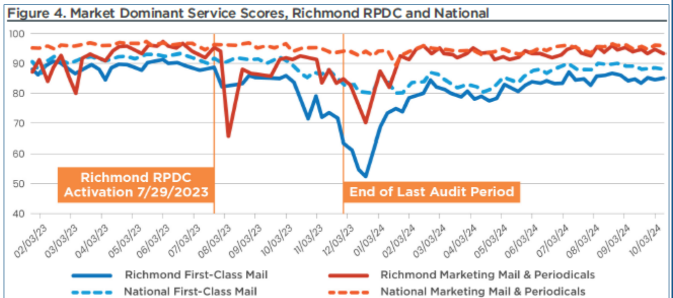
It's been over eighteen months since the Postal Service opened its first regional processing and distribution center in Richmond (VA).

Housed in the former Richmond processing and distribution center, the RPDC absorbed the outgoing mail processing operations of the Norfolk (VA) P&DC and the Rocky Mount (NC) P&DF, as well as the functions of the Richmond and Norfolk package sortation annexes. Incoming mail processing was retained by the redesignated Norfolk local processing center and the Richmond LPC, co-located with the RPDC.

In March 2024, the USPS Office of Inspector General audited the new RPDC to evaluate its operations and determine whether it was delivering the anticipated service and savings (see the April 8, 2024, issue of *Mailers Hub News*). At that time, the OIG reported that it had found

> "… while the Postal Service had some successes, it also faced many challenges that resulted in additional labor and transportation costs and contributed to a decrease in service performance for the Richmond region. The challenges included staffing and leadership issues, inadequate transportation planning, and issues with integrating operations between facilities in the region."

Figure 4. Market Dominant Service Scores, Richmond RPDC and National



Source: USPS Informed Visibility, Mail Product Trend Report.

Another look

The OIG conducted further observations of the Richmond RPDC during the last quarter of calendar 2024, and reported its findings in *Network Changes – Progress on Improvements at Richmond, VA, Regional Processing and Distribution Center*, released January 27.

- "**Finding #1: Savings From the Richmond RPDC Implementation.** While the Postal Service has not yet conducted a review of savings for the Richmond RPDC, we determined the Postal Service reached most financial targets in FY 2024 and is on track to meet most projected savings in FY 2025. As part of the investment justification for consolidating operations at the Richmond RPDC, the Postal Service expected to save more than $185 million over the next ten years. This included savings in mail processing and maintenance labor hours, elimination of transportation contracts, and the termination of two leased facilities. …

  "We determined the Postal Service exceeded its goal for reducing mail processing workhours, but did not meet its goal for maintenance workhours. Overall, the Postal Service saved nearly $2.5 million more than estimated in labor hours in FY 2024. …

  "In FY 2024, the Postal Service planned on eliminating 25 surface transportation trips, resulting in estimated savings of over $5 million. The Postal Service eliminated these trips and achieved the savings for FY 2024 and will achieve the savings in future years if the trips are not added back. …

  "Before launching the RPDC, the Postal Service spent $1.4 million annually leasing two facilities in the Richmond region for use as package sortation annexes. With the launch of the RPDC, the leases on these facilities were not planned to be renewed. This would result in a net savings of nearly $14 million over the next 10 years. The first of these ended in October 2024, which was not renewed. The second one is set to expire in November 2026. …"

- "**Finding #2: Leadership Challenges at the Richmond RPDC.** While acting leaders have worked to stabilize operations since our last audit, the Postal Service has been unable to establish permanent leadership at the Richmond RPDC 14 months post launch as three of the four senior leadership positions remain vacant. Specifically, the RPDC did not have a permanent plant manager, manager of processing support, or maintenance manager. The Postal Service used several individuals to temporarily fill those positions in the last year, including four different people serving as the plant manager, three as the manager of processing support, and two as the maintenance manager. …

  "The lack of consistency in filling these roles has not allowed staff to settle into an efficient operating routine at the Richmond RPDC and instability in leadership has likely contributed to: Service performance standards not met; Employee availability rates significantly lower than Postal Service goals; Overtime use higher than planned; Labor costs higher than budgeted; [an] Transportation routes not fully aligned to operations. …"

The OIG recommended that management

> "(1) … execute the plan to permanently staff senior leadership positions."

The OIG added that "Management agreed with this finding and recommendation 1" … .

- "**Finding #3: Transportation Schedules Still Not Fully Aligned.** The Postal Service has not successfully aligned transportation schedules with the Richmond RPDC operating plan. Approximately 14 months after the Richmond RPDC's activation, our analysis shows that transportation performance indicators have not improved but instead have declined significantly since our prior report. Specifically, the Richmond RPDC continues to experience an increase in canceled, extra, and late trips, suggesting that management needs to review and adjust schedules. …"

Table 5. Transportation Key Performance Indicators

Indicator	FY 24 Goals	Prior Audit Period 7/29-12/1/23	Current Period 12/2/23-9/30/24	SPLY 12/2/22-9/30/23	Difference From Current Period to SPLY
Trips on Time	86.47%	70.21%	69.28%	73.18%	3.90%
Canceled Trips	N/A	11.45%	16.08%	9.36%	6.72%
Extra Trips	N/A	4.59%	5.61%	3.69%	1.92%
Trips Departed Not Arrived[15]	N/A	0.14%	0.11%	0.13%	0.01%
Unrecorded/Incomplete Trips	N/A	2,942	33,495	1,639	31,856
Trailer Utilization	53.76%	54.51%	51.32%	54.65%	3.33%

Source: OIG analysis Surface Visibility data.
Note: Calculations may differ due to rounding.

The OIG made one recommendation to management.

> "(2) … develop and execute a comprehensive plan to improve the transportation performance at the Richmond Regional Processing and Distribution Center and monitor progress."

The OIG stated that "Management disagreed with the finding and recommendation 2."

- "**Finding #4: Scanning of Trailer Loads Not Conducted.** Personnel at the Richmond RPDC are not always completing required 'unload' and 'load' scans needed to support operational planning and mail tracking. Specifically, logistics personnel conducted only 83.39 percent of the required scans, a five-percentage point decline from SPLY, and almost 12 percentage points below goals. …"

The OIG recommended that senior management

> "(3) … work directly with Richmond Regional Processing and Distribution Center processing and logistics managers to develop

and execute a plan to improve scanning compliance and monitor progress."

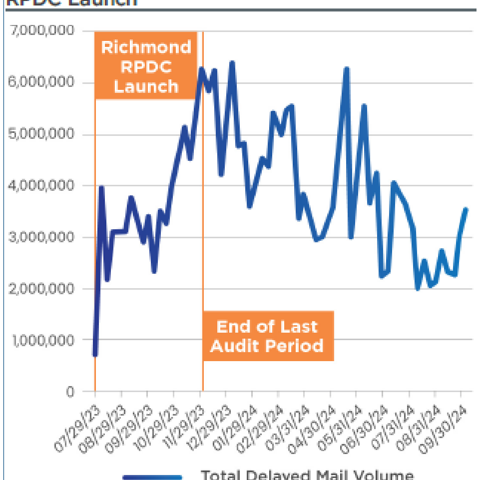
The OIG noted that "Management generally agreed with the finding and recommendation 3" … .

Unprocessed Mail After Operations Ended

Source: OIG photograph taken at the Richmond RPDC on October 2, 2024.

- "**Finding #5: Continued Challenges Integrating Operations.** The Richmond RPDC is still experiencing issues integrating operations among the facilities in the region. During site visits, we found many of the same issues persisted since the prior audit. Specifically, we found:
  - Collection mail often arrived late after sorting operations were completed.
  - Collection mail was not properly placarded or separated, resulting in additional handling at the RPDC.
  - Mail was left at the RPDC because dock personnel did not consolidate containers to ensure mail fit on outgoing trailers.
  - The RPDC did not always complete processing operations on time, which delayed the mail. …

Figure 7. Weekly Delayed Mail Volume Since RPDC Launch



Source: OIG analysis of delayed volume in Informed Visibility.

"Additionally, the Richmond RPDC did not always complete mail sorting operations by scheduled end times. Specifically, in FY 2024, the RPDC only completed sorting operations by scheduled clearance times about 72 percent of the time, well short of the Postal Service's 81.54 percent goal. …"

The OIG made two recommendations to management.

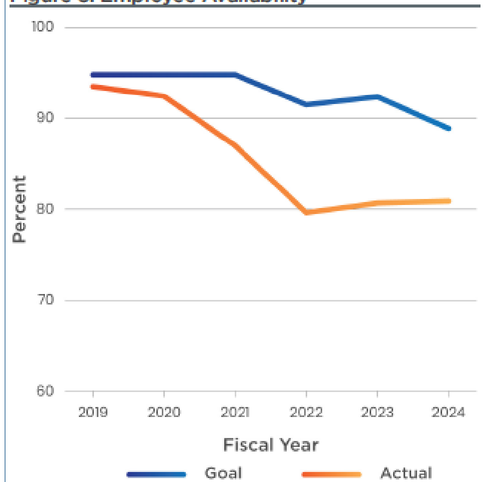
"(4) … improve communication of integrated operating plan deficiencies in the Richmond region to the frontline supervisors responsible for ensuring compliance.

"(5) … direct the Virginia District Integrated Operation Plan Coordinator to monitor and act on issues not addressed in the Mail Arrival Quality/Plant Arrival Quality application."

The OIG added that "Management generally agreed with the finding and recommendations 4 and 5."

- "**Finding #6: Employee Availability Challenges Continue.** The Richmond RPDC continues to experience issues with employee availability. On average about 19 percent of people scheduled to work, do not show up. This shortfall equates to about 123 career employee absences on any given day. For FY 2024, the Richmond facility was eight percentage points below the national goal and ranked in the bottom tenth percentile for processing plant employee availability nationwide (243 out of 264). Most of the unscheduled absenteeism was due to leave without pay, absence without leave, and sick leave. …

Figure 8. Employee Availability



Source: OIG analysis of Time and Attendance Collection System data.

"Employee availability was an issue at the facility before it was converted to an RPDC; therefore, we do not consider the conversion from a P&DC to an RPDC to be the underlying issue. Rather, local management attributes the low employee availability levels to a poor work culture and the lack of discipline enabled by plant management. Employees were not concerned about the consequences, as managers were not following policy in implementing actions for unscheduled absenteeism. …"

The OIG recommended that senior management

"(6) … direct the Richmond Regional Processing and Distribution Center plant manager to enforce Postal Service attendance policy. In addition, monitor the progress and actions taken to address attendance."

The OIG noted that "Management generally agreed with the finding and recommendation 6" … .

Observations

It's noteworthy that, as the OIG's audit report would indicate, remodeling a building and changing its operational role does not change the effectiveness of management, improve operational discipline, or cure fundamental problems with employee attitudes and productivity.

Despite Postmaster General Louis DeJoy's frequent assertion that cosmetic improvements like new lighting or refurbished restrooms will engender better work performance, the results (in Richmond, at least) suggest that an upgraded facility still retains the cultural and operational flaws that existed before its functional redesignation. Despite the new machinery, the people are the same

Import Confusion

Persons who don't routinely monitor government affairs must have been puzzled earlier this week when, from one day to the next, the Postal Service announced it wouldn't – then reversed course and announced it would – accept packages from China Post and Hong Kong Post.

As was later apparent to the broader mailing community, this wasn't a situation in which the USPS was being indecisive, but rather one common to all international shippers that was caused by sudden and abrupt policy changes by the US government.

For its own purposes, the administration had imposed 25% tariffs on goods imported from Canada and Mexico and a 10% tariff on imports from China. The tariffs on Canadian and Mexican imports were suspended before they were to be effective, but the tariff on Chinese goods took effect on February 10.

De minimis

In addition to imposing that tariff, the administration terminated the *de minimis* exemption from duties for items valued at less than $800. As reported February 5 by *Reuters*

> "The provision was initially intended as a way to streamline trade, and its use has surged with the increase in online shopping. … About 1.36 billion shipments entered the United States using the de minimis provision in 2024, up 36% from 2023, according to CBP data. …
>
> "Currently, *de minimis* parcels are consolidated so that customs can clear hundreds or thousands of shipments at once, but they will now require individual clearances, significantly increasing the burden for postal services, brokers and customs agents. …"

In other words, the thousands of items that could have been cleared through customs in bulk now had to be handled one-by-one so that the appropriate customs could be collected, an increase in activity for which US Customs and Border Protection was not prepared, so the effect of the administration's decision was more far impactful on USCBP than on the Postal Service or other shippers.

Therefore, the USPS decision to stop accepting packages from China and Hong Kong Posts was part of the overall halt until the necessary inspection and collection processes could be activated. The reversal came when it became clear that they didn't exist; USCBP was totally unprepared and needed time to develop and implement such procedures.

As reported by *The Washington Post*,

> "'The USPS and Customs and Border Protection are working closely together to implement an efficient collection mechanism for the new China tariffs to ensure the least disruption to package delivery,' a Postal Service spokesperson said in a statement Wednesday."

Kate Muth, executive director of the International Mailers Advisory Group, was more candid in describing the situation, telling *Reuters*:

> "Making the change through the traditional federal rule-making process would have allowed affected parties to provide input and adjust in the months-long period before implementation. 'We don't have that luxury. Everything's happening immediately without preparation,' she said. There is also the potential that the CBP could see a net revenue loss if the cost to collect those duties is higher than the revenue that's collected."

Speaking with the *Post*, she added

> "Had the China and Hong Kong mail suspension remained in effect, the Postal Service would have had to work with its Chinese counterparts to put in place new *de minimis* customs screening procedures, Muth said. 'It's totally upended the industry, and folks are kind of scrambling to comply and still have a lot of questions about how it's going to work.'"

Reuters noted comments from trade executives that reflected the confusion:

> "We're all running around like headless chickens at this moment in time, trying to second-guess what's going to happen. And in two weeks' time we may be back to normal."
>
> "There has really been absolutely zero time for anyone to prepare for this. What we really need is direction from the government on how to handle this."
>
> "The problem is not with the Postal Service. The problem is with Customs. They are not prepared for what's happening."

Though trade policy and the loss of potential import duties because of the *de minimis* exemption were clear motives for the administration's action, others noted that the absence of individual inspection for *de minimis* items was seen as a loophole by drug traffickers who brought fentanyl and other materials into the US unscreened.

The *Post* reported how politicians sought to spin the situation for their respective purposes:

> "President Trump is ensuring that China can no longer avoid applicable tariffs simply by exporting packages with relatively low values," Rep. Jason T. Smith (R-Missouri), the House Ways and Means Committee chair, said in a statement Tuesday, before the Postal Service reversed course. The Ways and Means Committee has spent significant time investigating the use of *de minimis* by China and other nations to undermine our trade enforcement tariffs and skirt compliance with US law. The effect of increased abuse of the *de minimis* privilege has been to deny the US Government collection of billions of dollars in additional revenues while unfairly disadvantaging American manufacturers."
>
> "The one consistency of Trump's trade war is the lack of foresight. This would be easily avoidable if anyone knew what they were doing and proves yet again why our trade policy must come from the Congress," Rep. Richard E. Neal (Massachusetts), the top Democrat on the House Ways and Means Committee, told The Post."

Smith may have a point that significant potential import duties are being avoided by foreign shippers, albeit legally under the current *de minimis* provision. (Whether "American manufacturers" could produce and ship at competitive prices what's being imported from low-cost producers overseas is another matter.)

Neal also makes a good point, however, in that the way in which the policy was implemented was less than carefully planned, and failed to allow adequate preparation.

As Muth had noted in her comments, had whatever the administration wanted to do been managed through the usual notice-and-comment rulemaking process, the agencies involved – notably USCBP and the Postal Service – as well as private shippers would have had the opportunity to figure out what to do, as well as how and with what resources to do it, before being thrown into implementing the new policy. Shoot-ready-aim is not the way to do business.

OIG Reports Familiar Problems in Cincinnati

On February 4, the USPS Office of Inspector General released a set of audit reports about *Ohio District 2: Delivery Operations* that included four separate December 4, 2024, reports not released earlier. Among those was *Efficiency of Operations at the Cincinnati Processing and Distribution Center and Network Distribution Center, Cincinnati, OH*.

In that report, the OIG provided information on several findings, and offered recommended actions.

- "**Finding #1: Delayed Mail.** During our observations at the P&DC on September 10 and 11, 2024, we identified delayed mail in the manual letter and flat operation units. Some of the letters we observed in this area had been there since September 5, 2024. We also identified delayed letters on the workroom floor. ... During our observations at the NDC for the same time period, we identified 643 delayed packages. These consisted of packages that were recovered by maintenance personnel from the review of the machine belts, damaged packages that needed to be resealed, packages placed in the wrong staging area, and packages from the rejection bins. In addition, we found 134 potentially delayed packages around the machines on the floor after sorting operations were completed.

  "The delayed mail we identified at the P&DC was caused by a lack of management oversight. The plant manager stated there are many inexperienced supervisors at the facility, and they did not always follow proper mail flow procedures. … The delayed packages we identified at the NDC were primarily due to lack of management oversight, as well. Specifically, management did not conduct a thorough review of the workroom floor to collect and process any packages left behind from processing. …"

The OIG recommended that management

"(1) … verify supervisors are trained on proper mail flow procedures in processing operations, properly allocate resources at the manual letter operation unit, and verify mail is sorted in time to meet dispatch daily at the [P&DC]."

"(2) … develop and implement a process to verify mail handlers conduct a review for mailpieces left behind on the workroom floor after operations are completed at the [NDC], and that management reports all delayed mail in the Mail Condition Visualization system daily."

The OIG added that "The Postal Service generally agreed with this finding and the associated recommendations."

- "**Finding #2: Late, Canceled, and Extra Outbound Trips.** From August 1, 2023, through July 31, 2024, there was a total of 8,848 outbound late trips, 10,860 outbound canceled trips, and 2,747 outbound extra trips at the Cincinnati P&DC. These trips represented about 28.7%% of all outbound trips at the facility. From August 1, 2023, through July 31, 2024, there were a total of 13,987 outbound late trips, 13,373 outbound canceled trips, and 5,753 outbound extra trips at the Cincinnati NDC. These trips represented about 45.8% of all outbound trips at the facility.

  "Late and canceled outbound trips occurred primarily because management did not recently complete a full Postal Vehicle Service (PVS) transportation schedule review at either the P&DC or the NDC. There has not been a full PVS transportation schedule review at either facility since 2022. …"

The OIG recommended that management

"(3) … complete a review of Postal Vehicle Service transportation schedules and verify related actions are implemented at the Cincinnati Processing and Distribution Center and Network Distribution Center."

"(4) … properly schedule Surface Transfer Center operations to ensure effective dispatch of mail at the Cincinnati [NDC]."

The OIG noted that "The Postal Service generally agreed with this finding and the associated recommendations."

- "**Finding #3: Scan Compliance.** The Cincinnati P&DC did not consistently meet the load scanning goal. From August 1, 2023, to July 31, 2024, the average compliance for load scans did not meet the Postal Service's goals of 92% in FY 2023 and 93.25% in FY 2024. … The plant manager stated that load scans were not being performed consistently due to a lack of management oversight and enforcement. …"

The OIG recommended that management

"(5) … develop and implement a plan to verify load scanning at the Cincinnati [P&DC] is consistently completed in accordance with policy."

The OIG added that "The Postal Service agreed with this finding and the recommendation."

- "**Finding #4: Security of Registry Items.** Logistics management did not follow proper procedures and controls to secure registry items at the NDC. During our observation on September 10 and 11, 2024, we observed a small empty cage without a log or registry clerk next to a storage room. This cage did not maintain proper documentation for hand-to-hand exchange and cage entry … or a signature log for those entering and leaving the cage. Employees did not follow proper procedures for handling and securing registry items due to a lack of management oversight. Specifically, management did not monitor and ensure employees properly safeguarded registry items moving throughout the facility. …"

The OIG recommended that management

"(6) … implement a process to verify employees are following proper Registry Mail and registry cage procedures at the Cincinnati [NDC]."

The OIG noted that "The Postal Service agreed with this finding and the recommendation."

- "**Finding #5: Safety and Security.** During our site observations at the NDC, we observed safety and security issues. Specifically, we observed that employees used a laminated paper to prop open a dock entry and exit door, and several fire extinguishers were missing an annual inspection. Regarding the annual fire extinguisher inspections, the maintenance manager was aware of the issue and had not scheduled an annual inspection. The plant manager was unaware of the exit door being propped open on the dock. …"

The OIG recommended that management

"(7) … communicate policy and verify facility doors are secured at the Cincinnati Network Distribution Center."

"(8) … verify that annual fire extinguisher inspections are completed at the Cincinnati Network Distribution Center."

The OIG stated that "The Postal Service agreed with this finding and the associated recommendations."

There may be some top executives at USPS HQ who find the OIG nitpicking minor issues that distract from the preferred focus on the Postmaster General's 10-Year Plan. However, what such a view overlooks is that (1) the OIG repeatedly finds shortcomings with training, management oversight, and process compliance, and (2) the PMG's Plan or any other initiative will not succeed until such fundamental flaws are meaningfully addressed and corrected.

GAO Finds USPS Needs Better Support for Facility Savings

One element of the Postmaster General's 10-Year Plan is the consolidation of mail processing facilities, allegedly to reduce costs and improve service. However, like the implementation of other aspects of The Plan, the results often appear to be decided first, with the necessary supporting arguments or evidence developed later as needed.

In response to a Congressional request, the Government Accountability Office released a report February 7 in which it stated that the Postal Service's

> "… documentation lists few ground rules and assumptions related to costs and does not explain how USPS determined the assumptions. Nor does [USPS] documentation describe some methodologies used in the analysis."

Details

As the GAO explained,

> "USPS has conducted facility reviews for over 40 years to consolidate and close facilities. In 2006, the Postal Accountability and Enhancement Act established the following requirements that USPS must meet before consolidating or closing a facility:
>
> ○ Provide adequate public notice to communities potentially affected by the proposal
>
> ○ Provide information on any service changes in the affected communities, any other effects on customers, any effects on USPS employees, and any cost savings
>
> ○ Afford affected persons ample opportunity to provide input on the proposed decision
>
> ○ Take public comments into account in making a final decision.
>
> "To meet these legal requirements, USPS uses a process – which is overseen by USPS's Chief Processing and Distribution Officer – to review proposed changes before consolidating mail processing facilities. USPS has used variations of this process since 2011. …
>
> "Since July 2023, when USPS began conducting MPFRs, USPS has initiated 59 such reviews, with more anticipated as USPS continues its network optimization efforts. The status of the 59 MPFRs varies. As of December 2024, the majority of the MPFRs were still in process, and none had been completed – meaning that post-implementation reviews had not occurred.

Table 1: Status of U.S. Postal Service (USPS) Mail Processing Facility Reviews (MPFR), as of December 2024

Status	Number of MPFRs
Initiated but not in process[a]	1
In process[b]	52
Implemented[c]	4
Completed[d]	0
Not proceeding[e]	2
Total	**59**

Source: GAO analysis of USPS information. | GAO-25-107630

> "In May 2024, USPS announced it was pausing in-process MPFRs until January 2025. In a public letter, the Postmaster General said that the reasons for the decision included confusion and concern on the part of the public and Congress about the MPFR process and about implementation of broader efforts to optimize USPS's mail processing and delivery network. …
>
> "During this pause, USPS announced changes in scope for some of the 52 MPFRs that were in process. Specifically, USPS adjusted the scope of the operations it proposed to consolidate at 16 facilities with MPFRs in process, and USPS officials said that more adjustments were possible. …"

Savings

Looking at the savings claimed by the USPS, the GAO found:

> "… USPS's MPFR cost estimate process aligned with four of our eight selected best practices. However, the cost estimate process did not align with the remaining four selected best practices, including those associated with assessing sensitivity, risk, and uncertainty. … We determined scores based on our review of USPS's MPFR documentation and interviews with officials … . Specifically, we determined that USPS's MPFR cost estimate 'fully met' two and 'substantially met' two best practices for a reliable cost estimate. However, the cost estimate partially met, minimally met, or did not meet the remaining four selected best practices."

Figure 2: Extent to Which U.S. Postal Service's (USPS) Cost Estimate for Mail Processing Facility Reviews Aligned with Selected Best Practices

Selected best practice for developing a cost estimate	GAO assessment
Includes all relevant costs.	Substantially met
Documents all cost-influencing ground rules and assumptions.	Minimally met
Captures the source data used.	Substantially met
Describes in sufficient detail the calculations performed and the estimating methodology used.	Partially met
Provides evidence that the cost estimate was reviewed and accepted by management.	Fully met
Contains few, if any, minor mistakes.	Fully met
Includes a sensitivity analysis.	Not met
Includes a risk and uncertainty analysis.	Minimally met

Fully met: GAO found evidence that fully satisfied the best practice.
Substantially met: GAO found evidence that satisfied a large portion of the best practice.
Partially met: GAO found evidence that satisfied about half of the best practice.
Minimally met: GAO found evidence that satisfied a small portion of the best practice.
Not met: GAO found no evidence that satisfied the best practice.

Source: GAO analysis of USPS and GAO information. | GAO-25-107630

Note: The selected best practices for developing a cost estimate are found in GAO's *Cost Estimating and Assessment Guide*, GAO-20-195G (Washington, D.C.: March 2020).

The GAO concluded that

> "Documenting key aspects of the MPFR cost and savings analysis, like ground rules and assumptions and all relevant methodologies, would aid in oversight, present a more convincing argument of an estimate's validity, and help answer probing questions from decision-makers and oversight groups. Further, USPS would benefit from ensuring the MPFR analysis is robust and includes risk and uncertainty analysis, as well as sensitivity analysis. Such analyses strengthen estimates' credibility by providing a better understanding of risks and a clearer sense of the confidence in proposed cost savings. These risk and sensitivity analyses are particularly important given that USPS is consolidating mail processing facilities in a rapidly changing operational environment."

The GAO recommended that the OMG should direct the Chief Processing and Distribution Officer to include:

- (1) "… all cost-influencing ground rules and assumptions, along with their sources and supporting historical data, for MPFR cost estimates in relevant policies and guidance.
- (2) "… all estimating calculations and methodologies used for MPFR cost estimates in relevant policies and guidance.
- (3) "… a sensitivity analysis in MPFR cost estimates in relevant policies and guidance.
- (4) "… a risk and uncertainty analysis in MPFR cost estimates in relevant policies and guidance."

What the PMG will do with the GAO's recommendations is unknown but, given that he considers such oversight to be meddling interference, it's likely he'll simply ignore them, especially if they impede his doing what he wants.

The Other Side of the Story

Last September 11, the Postal Service issued an *Industry Alert* announcing that it would end or revise its negotiated service agreements with package consolidators, notably ending discounts for destination entry of parcels. In the press release notifying the public, Postmaster General Louis DeJoy was quoted as stating:

> "… to more effectively utilize our network and realize enhanced economies, we no longer intend to provide discounted rates through NSAs that incent parties to aggregate mail volume from multiple shippers and to bring such volume directly to our delivery units. … It's challenging for us to justify entering into NSAs that incentivize bypassing our transportation and processing network, while leaving us responsible for managing the final mile."

The PR-speak-laden announcement failed to explain why it wasn't advantageous for the Postal Service to have another company bring it volume that it only had to deliver – while charging rates that more than covered the related costs.

However, based on recent reports about United Parcel Service – that had an NSA for its SurePost service – the ending of the agreement may not have happened quite as DeJoy sought to characterize it. According to *SupplyChainDive*, United Parcel Service broke its SurePost agreement with the Postal Service over service concerns, despite the possibility of losing customers. The company's CFO

> "… acknowledged that the delivery insourcing and rate increases could lead to customer churn. 'There are some customers that this might not work for, and we've taken that into account in our forecast.' … Despite the risk of losing business, UPS executives said the move will ensure SurePost packages are delivered with strong service without impacting the company's financial performance."

The article added that

> "UPS was worried about 'service deterioration' for SurePost packages delivered by the Postal Service due to changes incentivizing the drop off of packages further upstream in the agency's network. … 'That value proposition of an increased cost as well as deteriorating service, that didn't work for us,' UPS' CEO said."

Separately, a January 31 *Bloomberg* article said UPS was scaling back delivering shipments for Amazon "by 50%" so that it could "focus on more profitable clients." UPS' CEO added that "they are our largest customer, but they are not our most profitable customer." The article added

> "The catalyst for UPS came in recent weeks with a little-seen fee change by the US Postal Service. ...
>
> "While big couriers such as UPS specialize in express shipments, they have relied on the post office for last-mile delivery of budget-priced parcels, especially to far-flung rural locations. In 2024, for instance, a commercial carrier could pay the Postal Service \$2.79 to do the final mile of delivery on a 12-ounce package like a golf shirt.
>
> "That model began to crack when the Postal Service hiked fees on UPS beginning Jan. 1, part of a broader push by the agency to stem persistent losses. Suddenly, the same golf shirt package would cost UPS \$5.10 to send through letter-carrier routes, an 83% increase … . 'When you inject big price increases in a marketplace, you open the door to' change [a consultant] said. …
>
> "Citing the steeper costs, UPS allowed its contract with USPS to lapse as of the end of last year. ..."

So, though DeJoy tried to spin the story to make himself look like he was the decision-maker, it appears that it actually was DeJoy's pricing strategy and his agency's less-than-satisfactory service that motivated UPS to end the NSA.

December Financials: Less Than Awesome

Despite less revenue compared to a year earlier, December 2024 benefitted from the last of the election mailings, holiday mailing volume, a favorable swing in the workers' comp expense, and noticeably lower expenses.

Compared to December 2023, market-dominant mail volume was down 4.0% while competitive product volume – more important to the PMG's Plan – was only 0.3% higher.

Total revenue was 3.2% below plan and only 1.9% more than December 2023, but total operating expenses were 7.0% below plan and 11.6% lower that last December, resulting in a net income of \$107 million for the month. Thanks to positive income in the two preceding months, this yielded net income of \$144 million for the year to date, \$633 million better than at the end of December 2023.

Volume and revenue

Total volume for the month was lower that the previous December, despite pre-election and holiday mailings:

First-Class Mail: 4.128 bln pcs, -7.5%; 11.435 bln pcs, -3.9% YTD
Marketing Mail: 4.222 bln pcs, -0.1%; 16.632 bln pcs, +7.0% YTD
Periodicals: 222.1 mln pcs, -8.7%; 0.681 bln pcs, -6.7% YTD
Total Mkt Dom: 8.635 bln pcs, -4.0%; 29.034 bln pcs, +2.0% YTD
Total Competitive: 755.2 mln pcs, +0.2%; 1.903 bln pcs, -0.4% YTD
Total USPS: 9.426 bln pcs, -3.8%; 31.015 bln pcs, +1.8% YTD

Despite price increases on market-dominant mail totaling over 7.75% since December 2023, year-to-date market-dominant mail revenue was only 0.2% higher.

USPS operating revenue for the month was \$7.935 billion:

First-Class Mail: \$2.567 bln, +0.7%; \$7.005 bln, +4.2% YTD
Marketing Mail: \$1.152 bln, +2.8%; \$4.602 bln, +10.8% YTD
Periodicals: \$0.078 bln, -1.5%; \$0.242 bln, +1.4% YTD
Total Mkt Dominant: \$4.009 bln, +0.2%; \$12.699 bln, +5.6% YTD
Total Competitive: \$3.782 bln, +4.9%; \$9.417 bln, +2.8% YTD
Total USPS: \$7.935 bln, +1.9%; \$22.499 bln, +4.1% YTD

Expenses and workhours

Total "controllable" compensation and benefit costs in December were \$5.744 billion, 3.5% under plan but 2.4% higher than December 2023; total expenses were \$7.899 billion, 7.0% under plan and 11.5% lower than a year earlier.

As transportation is reduced to enable lower service standards, the related costs (\$838 million for the month, \$2.198 billion for the year) were well below both plan and December 2023. Moreover, workers' compensation expense flipped favorably by \$1.5 billion compared to last December.

Workhour usage was 0.5% over plan but 0.5% lower than December 2023, while total workhours for the year-to-date were 0.6% over plan and 0.8% over SPLY YTD. The total workforce was smaller, but with *more* career employees.

Month's end complement: 642,093 employees (535,829 career, 106,264 non-career) **-1.34%** compared to December 2023 (650,845 employees: 529,627 career, 121,218 non-career), but **1.17% more** *career* workers.

All the numbers are on the next page.

USPS Preliminary Information (Unaudited) – December 2024 [1]

OPERATING DATA OVERVIEW [1, 2]	**Current Period**					**Year-to-Date**				
Revenue/Volume/Workhours (Millions)	**Actual**	**Plan**	**SPLY**	**% Plan Var**	**% SPLY Var**	**Actual**	**Plan**	**SPLY [5]**	**% Plan Var**	**% SPLY Var**
Revenue										
Operating Revenue	$7,935	$8,202	$7,786	-3.2%	1.9%	$22,499	$22,765	$21,614	-1.2%	4.1%
Other Revenue	$1	$1	$3	0%	-66.7%	$38	$2	$3	NMF	NMF
Total Revenue	$7,936	$8,202	$7,789	-3.2%	1.9%	$22,537	$22,767	$21,617	-0.0%	4.3%
Operating Expenses										
Personnel Compensation and Benefits	$5,908	$6,435	$6,802	-8.2%	-13.1%	$17,200	$17,749	$18,219	-3.1%	-5.6%
Transportation	$838	$920	$968	-8.9%	-13.4%	$2,198	$2,326	$2,524	-5.5%	-12.9%
Supplies and Services	$315	$317	$330	-0.6%	-4.5%	$835	$917	$875	-8.9%	-4.6%
Other Expenses	$790	$771	$785	2.5%	0.6%	$2,226	$2,312	$2,187	-3.7%	1.8%
Total Operating Expenses	$7,851	$8,443	$8,885	-7.0%	-11.6%	$22,459	$23,304	$23,805	-3.6%	-5.7%
Net Operating Income/Loss	**$85**	-$241	-$1,096			**$78**	-$537	-$2,188		
Interest Income	$71	$62	$85	13.1%	-16.9%	$213	$200	$249	6.5%	-14.3%
Interest Expense	$48	$50	$44	-4.0%	10.2%	$147	$154	$133	-4.5%	10.9%
Net Income/Loss	**$107**	-$229	-$1,055			**$144**	-$491	-$2,072		
Mail Volume										
Total Market Dominant Products [3]	8,635	8,897	8,993	-2.9%	-4.0%	29,034	28,932	28,470	0.4%	2.0%
Total Competitive Products [3]	755	733	753	3.0%	0.3%	1,903	1,844	1,911	3.2%	-0.4%
Total International Products	36	43	48	-16.6%	-25.0%	78	83	92	-6.0%	-15.2%
Total Mail Volume	9,426	9,673	9,794	-2.6%	-3.8%	31,015	30,859	30,473	0.5%	1.8%
Total Workhours	105	105	106	0.0%	-0.9%	300	298	297	0.7%	1.0%
Total Career Employees	**535,829**		529,627		**1.2%**					
Total Non-Career Employees	**106,264**		121,218		**-12.3%**					

MAIL VOLUME and REVENUE [1, 2]	**Current period**			**Year-to-Date**		
Pieces and Dollars (Thousands)	**Actual**	**SPLY**	**% SPLY Var**	**Actual**	**SPLY**	**% SPLY Var**
First Class (excl. all parcels and Int'l.)						
Volume	4,127,623	4,461,970	-7.5%	11,435,216	11,898,535	-3.9%
Revenue	$2,567,032	$2,549,930	0.7%	$7,005,347	$6,720,498	4.2%
Periodicals						
Volume	222,091	243,151	-8.7%	680,673	729,452	-6.7%
Revenue	$78,214	$79,415	-1.5%	$241,619	$238,252	1.4%
Marketing Mail (excl. all parcels and Int'l.)						
Volume	4,222,031	4,225,771	-0.1%	16,631,807	15,540,510	7.0%
Revenue	$1,152,153	$1,120,781	2.8%	$4,602,282	$4,154,739	10.8%
Package Svcs. (ex. Inb'd. Intl Surf. PP @ UPU rates)						
Volume	37,738	42,674	-11.6%	108,104	116,925	-7.5%
Revenue	$86,021	$90,160	-4.6%	$238,084	$246,215	-3.3%
All other Market Dominant Mail						
Volume	25,927	19,537	32.7%	177,873	185,075	-3.9%
Revenue	$125,603	$159,804	-21.4%	$611,302	$668,614	-8.6%
Total Market Dominant Products *(ex. all Int'l.)*						
Volume	8,635,409	8,993,103	-4.0%	29,033,673	28,470,498	2.0%
Revenue	$4,009,022	$4,000,090	0.2%	$12,698,635	$12,028,318	5.6%
Shipping and Package Services						
Volume	755,150	753,388	0.2%	1,902,694	1,910,683	-0.4%
Revenue	$3,695,169	$3,507,786	5.3%	$9,099,777	$8,816,992	3.2%
All other Competitive Products						
Volume	-	-	0.0%	-	-	0.0%
Revenue	$87,289	$99,517	-12.3%	$316,876	$339,293	-6.6%
Total Competitive Products *(ex. all Int'l.)*						
Volume	755,150	753,388	0.2%	1,902,694	1,910,683	-0.4%
Revenue	$3,782,458	$3,607,303	4.9%	$9,416,653	$9,156,285	2.8%
Total International [4]						
Volume	35,691	47,788	-25.3%	78,742	91,849	-14.3%
Revenue	$143,063	$179,591	-20.3%	$383,816	$429,299	-10.6%
Total						
Volume	**9,426,250**	9,794,279	**-3.8%**	**31,015,108**	30,473,031	**1.8%**
Revenue	**$7,934,543**	$7,786,983	**1.9%**	**$22,499,104**	$21,613,902	**4.1%**

EXPENSES OVERVIEW [1, 2]	**Current Period**					**Year-to-Date**				
Dollars (Millions)	**Actual**	**Plan**	**SPLY**	**% Plan Var**	**% SPLY Var**	**Actual**	**Plan**	**SPLY**	**% Plan Var**	**% SPLY Var**
Controllable Pers. Comp. & Benefits	$5,744	$5,952	$5,612	-3.5%	2.4%	$16,376	$16,299	$15,677	0.5%	4.5%
FERS Unfunded Liabilities Amortization [6]	$200	$200	$192	0.0%	4.2%	$600	$600	$575	0.0%	4.3%
CSRS Unfunded Liabilities Amortization [6]	$283	$283	$267	0.0%	6.0%	$850	$850	$800	0.0%	6.3%
Workers' Compensation [7]	-$319	$ --	$731	NMF	-143.6%	-$626	$ --	$1,167	NMF	-153.6
Total Pers. Comp. & Benefits	$5,908	$6,435	$6,802	-8.2%	-13.1%	$17,200	$17,749	$18,219	-3.1%	-5.6%
Total Non-Personnel Expenses	$1,943	$2,008	$2,083	-3.2%	-6.7%	$5,259	$5,555	$5,586	-5.3%	-5.9%
Total Expenses (incl. interest)	**$7,899**	$8,493	$8,929	**-7.0%**	**-11.5%**	**$22,606**	$23,458	$23,938	**-3.6%**	**-5.6%**

WORKHOURS [1, 2, 3]	**Current Period**					**Year-to-Date**				
Workhours (Thousands)	**Actual**	**Plan**	**SPLY**	**% Plan Var**	**% SPLY Var**	**Actual**	**Plan**	**SPLY**	**% Plan Var**	**% SPLY Var**
City Delivery	37,369	37,508	37,768	-0.4%	-1.1%	109,022	108,190	108,522	0.8%	0.5%
Mail Processing	19,147	19,020	19,543	0.7%	-2.0%	52,287	51,942	52,882	0.7%	-1.1%
Customer Services & Retail	13,126	12,893	13,211	1.8%	-0.6%	36,445	36,161	36,996	0.8%	-1.5%
Rural Delivery	20,629	20,250	20,888	1.9%	-1.2%	58,519	58,402	56,709	0.2%	3.2%
Other	14,782	14,866	14,165	-0.6%	4.4%	43,371	43,290	42,102	0.2%	3.0%
Total Workhours	**105,053**	104,537	105,575	**0.5%**	**-0.5%**	**299,644**	297,985	297,211	**0.6%**	**0.8%**

[1]/December 2024 had the same number of delivery days and 0.75 more retail days compared to December 2023. YTD has one more delivery day and 0.25 more retail days compared to the same period last year (SPLY). [2]/Numbers may not add due to rounding and/or adjustments. Percentages calculated using unrounded numbers. The sampling portion of the RPW system is designed to be statistically valid on a quarterly and annual basis. [3]/Excludes all International. [4]/Includes Current Period Market Dominant Volume of 23,131 and Revenue of $35,830; SPLY Market Dominant Volume of 33,711 (-31.4%) and Revenue of $48,768 (-26.5%). Also includes Current Period Competitive Volume of 12,560 and Revenue of $107,233; SPLY Competitive Volume of 14,077 (-10.8%) and Revenue of $130,823 (-18.0%). [5]/ This represents the US Office of Personnel Management (OPM) estimated amortization expense related to the Federal Employee Retirement System (FERS) and Civil Service Retirement System (CSRS). The actual invoices will be received between September 2025 and October 2025. [6]/This represents non-cash adjustments: the impact of discount and inflation rate changes and the actuarial revaluation of new and existing cases. NMF = Not Meaningful Figure, percentages +/- 200% or greater.

Miscellany

Telework

The USPS has fallen in line with contemporary government policy changes about working remotely, and has issued its own back-to-the-office orders. As reported February 5 by the National Association of Postal Supervisors:

> "The USPS will be rescinding and modifying the existing Management Instruction EL-310-2024-2 7/30/04 *Telework Program for Eligible Non-Bargaining Employees* and PCES policy.
>
> "Participating employees may continue to telework 3 days a week for the next 30 days. Effective March 10, 2025, telework will be reduced to a maximum of 2 days per week for a period of 90 days. Beginning June 9, 2025, participating employees may only telework 1 day per week. Non-Bargaining employees and PCES are expected to report to their assigned stations at least 4 days a week.
>
> "Employees who telework due to reasonable accommodation and approved by the Reasonable Accommodation Committee may continue to telework according to their approved accommodation."

Neither NAPS nor the USPS indicated how many employees would be affected or how the additional workers would impact office space requirements.

Tracking truck safety

On January 28, Rep Gerald Connolly (VA 11th) filed HR758, the *Mail Traffic Deaths Reporting Act*. According to *FedWeek*, "the bill follows findings from the postal IG that USPS lacks written policies for tracking accidents involving its freight contractors." As introduced, the bill would "require the Postal Service to track and report serious truck crashes and fatalities; establish written policies for contractor safety oversight; [and] impose penalties on contractors who fail to report accidents."

Connolly introduced a similar bill in 2024 but it passed only the House before the end of the 118th Congress.

Sound familiar?

The Government of Canada announced it will provide Canada Post with C$1.034 billion over the 2025-2026 fiscal year

> "... to ensure the Corporation can maintain its solvency and continue operating as it deals with significant financial challenges.
>
> "This approach will maintain continuity of Canada Post's operations but will not solve the Corporation's structural issues. It will, however, provide a temporary financial bridge while Canada Post and the government work together on a plan to secure the long-term viability of a service that millions of Canadians consider essential.
>
> "Significant change is urgently needed to modernize the operating model and preserve the national postal service to ensure it serves all, while understanding the important role it must continue to play for small businesses, charities and those living in rural and remote communities. Canada Post is committed to working with the government to bring about the major changes needed to serve the changing delivery needs of the country and return to financial self-sustainability. The Corporation has already focused considerable effort on transforming in key areas within its control. These include improving service through facilities upgrades, new sorting equipment, digital platforms and more, while improving safety performance for employees over the last five years.
>
> "The Corporation has recorded significant annual losses since 2018, fuelled by rapid changes in the postal and parcel delivery sectors, high labour costs and legacy regulatory measures that impede the company's ability to evolve and compete. ..."

Donors

According to *Open Secrets*, the postal unions spread a lot of money around to help preferred candidates during the 2023-2024 elections.

> "As the name suggests, these unions are a division of the public sector unions representing postal workers and supervisors. Their attention is focused on workers' rights and working conditions. Specifically, these unions advocate postal reform, a goal constantly being redefined as demand for service increases while overall mail volume decreases. These unions also deal with national security and safety standards, as well as retirement, pension and Social Security issues affecting all government employees. They oppose the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP), both of which they say cut into retirement benefits of postal workers.
>
> "Postal unions, like their counterparts in the labor movement, favor Democrats in their political contributions. But because they feel the direct impact of governmental decisions, they also give to Republicans with specific influence over postal funding and policy."

Contributor	2023-2024 Total	To (D)s	To (R)s	Nonpartisan
NALC	$2,009,132	$1,542,679	$444,864	$0
APWU	$1,405,085	$835,430	$59,472	$504,459
NRLCU	$854,270	$504,770	$346,500	$0
NAPS	$401,050	$349,250	$44,300	$0
Postmasters	$285,400	$124,800	$160,600	$0
NPMHU	$217,792	$178,792	$33,000	$0

No contract

According to a January 31 release by the National Association of Letter Carriers, representing city carriers, members decisively rejected the proposed 2023-2026 labor agreement that had been negotiated with the Postal Service. The vote, 63,680 to reject the agreement versus 26,304 to accept it, caused the union to notify the USPS that, accordingly, it would seek to reopen negotiations. If those prove unsuccessful, the contract would be sent to binding arbitration.

As announced last October, the proposed contract would have provided three 1.3% raises as well as seven cost-of-living adjustments (COLAs) among other benefits. The union has been without a contract for a year and a half; had it been ratified, the 42-month agreement would have been retroactive to May 20, 2023, and run through November 7, 2026.

Privatization

On January 28, Rep Stephen Lynch (MA 8th) introduced H.Res. 70 to express the House of Representatives' opposition to privatizing the USPS. Now with seventy other barely bi-partisan co-sponsors, the resolution would state

> "That it is the sense of the House of Representatives that Congress should take all appropriate measures to ensure that the United States Postal Service remains an independent establishment of the Federal Government and not subject to privatization."

The measure is awaiting consideration by the full House.

However, given the partisan divide in both chambers of Congress, with the majority adhering to policies opposing "big government" and seeking ways to trim government rolls, it's doubtful that a USPS anti-privatization measure would succeed given the agency's 642,000 federal employees and the clear opportunities to outsource many of its functions.

All the Official Stuff

Federal Register

Postal Service

NOTICES

January 30: Sunshine Act Meetings; Correction, 8543; Product Change [12]: Priority Mail Express, Priority Mail, and USPS Ground Advantage Negotiated Service Agreement [4], 8542, 8542, 8543, 8544; Priority Mail and USPS Ground Advantage Negotiated Service Agreement [7] 8541, 8542, 8542, 8542, 8543, 8543, 8544; Priority Mail, USPS Ground Advantage, and Parcel Select Negotiated Service Agreement, 8542.

February 6: Product Change [11]: Priority Mail Express, Priority Mail, and USPS Ground Advantage Negotiated Service Agreement [5], 9091, 9091, 9091, 9092, 9092; Priority Mail and USPS Ground Advantage Negotiated Service Agreement [6], 9090, 9090, 9091, 9091, 9092, 9092.

PROPOSED RULES

February 5: Optional 5-Digit/3-Digit/ADC Sortation, 9013-9015.

FINAL RULES

January 30: International Competitive Services and Price Changes, 8496-8498.

February 10: Debt Collection Act Petitions Against Current Employees, 9220-9222.

Postal Regulatory Commission

NOTICES

January 28: New Postal Products, 8308-8309; Postal Service Performance Report and Performance Plan, 8309-8310.

January 29: New Postal Products, 8409-8410.

January 30: New Postal Products, 8540-8541.

February 3: New Postal Products, 8817-8818.

February 4: New Postal Products, 8945-8946

February 5: New Postal Products, 9049-9050.

February 6: New Postal Products, 9089-9090.

February 7: New Postal Products, 9172.

February 10: New Postal Products, 9258.

PROPOSED RULES

[None.]

FINAL RULES

[None.]

DMM Advisory

January 29: International Service Resumption Notice – effective January 31, 2025. [Myanmar]

February 6: International Service Resumption Notice – effective February 7, 2025. [Canada]

Postal Bulletin (PB 22669, February 6)

- Effective **March 1**, 2025, the Postal Service will revise Labeling Lists L001, L002, L004, L005, L007, L009, L010, L011, L012, L014, L015, L051, L201, L606, L607, and L801 to reflect changes in mail processing operations. Mailers are expected to label according to these revised lists for mailings inducted on or after the March 1, 2025, effective date through April 30, 2025, expiration date.
- Effective **February 1**, the Postal Service migrated from the Electronic Verification System (eVS) to USPS Ship. Although the Postal Service implemented the migration February 1, 2025, [and] although the Postal Service will not publish these revisions in the DMM until April 7, 2025, the standards became effective February 1, 2025. …
- Effective **February 6**, the Postal Service is revising IMM 261 regarding changes to M-bag service and is revising each Individual Country Listing in the IMM to note whether M-bag service is available to that destination.
- Effective **February 6**, the IMM Individual Country Listing for the Republic of Turkiye is revised to request that the mailer ensure that the postage and fees for the content value on items containing goods mailed to the Republic of Turkiye be noted on the customs declaration form or on the address label to facilitate customs clearance and delivery.
- Effective **February 6**, IMM 766.1 is revised regarding the retention period of inbound Express Mail Service items.

> Postal Bulletin *announcements of revisions to the DMM, IMM, or other publications often contain two dates: when a revised document is effective, and when a revised standard is effective. The effective date of a revised standard is typically earlier than when it will appear in a revised publication.*

USPS Industry Alerts

January 28, 2024

USPS APIs Services Enhancement

We are excited to share some great news with you! On January 29, 2025, we're rolling out an enhancement to our USPS APIs: Blue-Green Deployments. This upgrade introduces two application versions running in parallel. As a new application version is tested and verified, the application traffic will be switched from Blue to Green. This strategy ensures a smooth transition between API versions and reduces the risk of disruptions. This decision has been made to ensure that USPS continues to provide you with the highest quality services and most advanced technologies. The benefits to you as a customer are: Key Benefits of the Enhancement: Increased Reliability: Minimized downtime and enhanced system stability during updates; Reduces Risk: Improved capacity with testing and monitoring before updates are performed; Faster Maintenance: Reduced impact on operations during system updates, ensuring continuous service availability. Our technical team will be available to assist you with any concerns or queries you may have regarding the deployment of this enhancement. As always, we appreciate your continued partnership with us. Please feel free to contact us if you have any questions or concerns. Direct any inquiries or concerns to API Support via eMail at apisupport@usps.gov. For additional information on USPS API access the https://developers.usps.com/. Monthly release notes documentation can be accessed on PostalPro: https://postalpro.usps.com/usps-apis-releases. NOTE: Delivery of packages IS NOT impacted during scheduled system events.

January 29, 2024

New USPS Ship Capabilities Released through Informed Visibility Mail Tracking & Reporting (IV-MTR) Data Feeds

The EPS Transaction History Report is now available as an IV-MTR data feed. Information on the contents of this data feed can be accessed in Enterprise Payment System IV-MTR Data Elements | PostalPro. The Transaction Details Report is now available as an IV-MTR data feed. Information on the contents of this data feed can be accessed in USPS Ship Data Dictionary | PostalPro. This data feed includes a check box to ‘Only include transactions with an ACH Debit transaction ID’. The Census Attributes data feed was updated to include a check box to ‘Only include transactions with an ACH Debit transaction ID’. For additional information on the recent release features within USPS Ship and IV-MTR, please visit January 2025 Price Change Release Notes | PostalPro and Informed Visibility Mail Tracking & Reporting (IV-MTR) Release Notes | PostalPro. Additional USPS Ship resources for both new and migrating eVS shippers are available and updated regularly on USPS Ship | PostalPro. For assistance, please contact the eVS Helpdesk at eVS@usps.gov or 1-877-522-9085, Option #2.

January 29, 2025

International Service Resumption Notice – Effective January 31, 2025

Effective Friday, January 31, 2025, the Postal Service™ will resume acceptance of mail destined to the following: Myanmar. This service resumption affects the following mail classes: Priority Mail Express International (PMEI), Priority Mail International (PMI), First-Class Mail International (FCMI), First-Class Package International Service (FCPIS), and International Priority Airmail (IPA) items. Please visit our International Service Alerts page for the most up to date information: https://about.usps.com/newsroom/service-alerts/international/?utm_source=residential&utm_medium=link&utm_campaign=res_to_intl.

January 30, 2025

Key Personnel Announcements in the Chief Retail and Delivery Group

The following officer detail assignments are effective immediately: *Raj Sanghera, Acting Vice President, Retail and Delivery Operations, Central Area:* In this role, Raj will be responsible for overseeing delivery and retail operations that serve approximately 76 million customers, spanning over 815,000 square miles in 14 states. The Central Area includes more than 33.6 million delivery points and more than 11,500 Post Office facilities. *Chenise R. LeDoux, Acting Vice President, Retail and Delivery Operations, Southern Area:* In this role, Chenise will be responsible for overseeing retail and delivery operations in 13 Districts comprised of 11 states, as well as Puerto Rico and the US Virgin Islands, and a workforce of over 124,000 employees. The Southern Area services 49.3 million delivery points from more than 7,000 post offices, encompasses 750,000 square miles, and produces roughly $3.2 billion total revenue annually. *John Morgan, Acting Vice President, Delivery Operations:* In this role, John will be responsible for setting Postal Service delivery strategy to ensure that we efficiently deliver mail and packages to each American household and business six and seven days a week in a reliable and affordable manner. John will oversee our delivery operation that serves nearly 167 million addresses in the country. He will continue to drive the transformation of our city and rural delivery operations to best serve the American public. *Jennifer Vo, Acting Vice President, Retail and Post Office Operations:* In this role, Jennifer will oversee retail and post office operations for the nation’s largest retail network, including more than 31,000 post offices. She will also be responsible for the field maintenance organization, managing maintenance services for Postal Service stations, and branches to promote safety and health standards, reinforce postal policy, and integrate operational excellence principles into field maintenance work practices.

January 31, 2025

Need Help Convincing Your Boss to Attend NPF? We’ve Got You Covered

The National Postal Forum (NPF) is the premier conference for shipping, mailing, and supply chain professionals in the United States. Over 4,400 industry professionals will attend this four-day comprehensive experience, featuring workshops, certifications, a state-of-the-art exhibit hall, networking events, leadership insight sessions, and a keynote address from Postmaster General Louis DeJoy. This must-attend event is for mailing and shipping professionals interested in staying ahead of the curve. The knowledge you gain and the connections you make will be invaluable, providing lasting benefits for both you and your company. To help you make the case to your supervisor, we’ve created a flyer (attached) outlining how attending NPF benefits both your professional growth and your company’s success. Use this resource to demonstrate that NPF is a strategic investment – one that enhances your expertise while delivering real value to your organization. For information on how to register, visit NPF.org. Don’t miss this opportunity to be part of the conversation shaping the future of the shipping, mailing, and supply chain ecosystem.

January 31, 2025

Mail Spoken Here – January Edition – Industry Engagement & Outreach Newsletter

Please enjoy the latest edition of *Mail Spoken Here* attached. The newsletter contains informative and important articles on the following topics: 169 Million Addresses – We Have the Capacity to Deliver; Need Help Convincing Your Boss to Attend NPF? We’ve Got You Covered; New Organization Appointments – Logistics & Human Resources; eVS Shippers to Migrate to USPS Ship – February 1, 2025; These Stamps Are Out of This World; USPS API’s – Enhanced; New Stamps Announced – Goodnight Moon & Sponge Bob; USPS Money Orders – Redesigned; New Prices Take Effect; Upcoming Events – Mailers Technical Advisory Committee (MTAC), Areas Inspiring Mail (AIM); A Few Fun Facts about February!; The Latest *Postal Bulletin*s; *Federal Register* Notices; Negotiated Service Agreements. Thank you very much everyone.

February 3, 2025

Executive Officer Announcement – Joseph Bruce, Vice President, Human Resources

Joseph Bruce has been named Vice President, Human Resources for the Postal Service, a role he has filled on an acting basis since September 30, 2024. Bruce began his USPS career in 1996 as a paralegal. He then moved into several human resources positions, including corporate personnel management manager; national diversity initiatives manager; equal employment opportunity (EEO) field operations manager; and EEO compliance and appeals manager for the former Eastern Area. Bruce was also the Postal Service’s National Human Resources Senior Director, responsible for hiring and selection policy; the Human Resources Shared Service Center in Greensboro, NC; and Human Resources activities for all headquarters and headquarters-related facilities.

February 4, 2025

International Service Suspension Notice

Effective February 4, 2025, the Postal Service will temporarily suspend only international package acceptance of inbound parcels from China and Hong Kong Posts until further notice. Note the flow of letters and flats from China and Hong Kong will not be impacted. Please visit our International Service Alerts page for the most up to date information: https://about.usps.com/newsroom/service-alerts/international/?utm_source=residential&utm_medium=link&utm_campaign=res_to_intl.

February 5, 2024

Updated Information: International Inbound Mail and Packages from China and Hong Kong Posts

Effective February 5, 2025, the Postal Service will continue accepting all international inbound mail and packages from China and Hong Kong Posts. The USPS and Customs and Border Protection are working closely together to implement an efficient collection mechanism for the new China tariffs to ensure the least disruption to package delivery.

February 5, 2024

Web Tools Retirement and Migration Dates

The Web Tools API platform will be retired on January 25, 2026. All users must migrate to the new USPS APIs to avoid service disruptions. This deadline is in addition to the Web Tools label API migration and retirement that went into effect July 14, 2024. Additional support specific to label API migration can be found under Announcements at Web Tools APIs | USPS. Label API migration feedback can be provided at Migration Feedback. The new USPS APIs (https://developers.usps.com) offer modernized security and authentication methods via OAuth 2.0, more product and payment options, webhooks push notifications, and improved performance. Web Tools API functional equivalents on the new USPS APIs platform can be found in the API Catalogue at https://developers.usps.com/apis. Please contact API Support with questions or concerns.

February 7, 2025

Informational Webinar: How USPS Can Help You Save on Shipping in 2025

The US Postal Service is hosting a webinar to share insights into its new pricing structures and how businesses can manage shipping costs in 2025. This free informational session will cover key actionable takeaways, including: The impact of the Delivering for America plan on cost-effective shipping solutions; New pricing structures designed to provide stability and savings for businesses; Strategies to navigate the evolving shipping industry with USPS. Event Details: Date: Friday, February 14, 2025; Time: 1 p.m. EST; Location: Online webinar via Zoom; Speakers: Bill Fraine, USPS senior vice president of national sales, Jamie Cousin, USPS regional sales director for the Atlantic 1 territory. Register now to reserve your spot: https://usps.zoomgov.com/webinar/register/WN_40x5GfbISmGjldwhiiUykw#/registration. Don't miss this opportunity to explore how USPS is delivering innovative solutions to meet your shipping needs in 2025.

February 7, 2025

Officer Announcement – Steve A. Darragh - Vice President, Finance & Planning

Effective immediately, Steven (Steve) Darragh has been promoted to the Vice President, Finance & Planning. In this role, Steve will be responsible for directing all financial planning activities, including short and long-range financial forecasts and annual budgets for the Postal Service. In conjunction with the Capital Planning Committee, Steve will drive the annual and long-term capital investment plan and facilitate investment projects through the review and approval processes. In addition, he will support our revenue growth strategies through regulatory price change support and Negotiated Sales Agreements (NSA) review and approval. Steve's long tenure with the Postal Service began in 1985. Early in his career, he stepped into a Budget Specialist role in the Northern Virginia area and continued to advance by taking on roles with increasing levels of responsibilities in the finance function at the former District, Area, and Headquarters levels. Additionally, Steve has held a number of leadership roles, including Area Finance Manager and Director of CIO Business Services. Most recently, he served as the Executive Director, Compensation and Benefits, where he led the Postal Service's shift from the Federal Employee Health Benefits (FEHB) to the Postal Service Health Benefits (PSHB) program, consistent with the Postal Service Reform Act of 2022.

February 7, 2025

Southwest Division – Dallas Business Mail Entry Unit (BMEU) at Dallas Processing and Distribution Center – Temporarily Suspended

EFFECTIVE IMMEDIATELY: Due to Emergency Building Repairs, all operations at the following BMEU remain temporarily suspended: Dallas BMEU, 401 Tom Landry Freeway, Dallas, TX 75260. Bulk mail normally accepted or verified at the Dallas BMEU can be accepted or verified at the following alternate location through Midnight, Friday, February 21, 2025: National Distribution Center (NDC), 2400 Tom Landry Freeway, Dallas, TX 75211. Business (Bulk) Mail Acceptance Hours of Operation: Mon-Fri 10am–6pm; Sat, Closed; Sun, Closed.

February 7, 2025

Upcoming USPS.com Maintenance POSTPONED Until February 22, 2025

Planned USPS.com maintenance on February 8 and 9, 2025 has been POSTPONED. USPS.com will undergo maintenance from Saturday, February 22 at 10 PM ET, through Sunday, February 23 at 4 AM ET. During this time, you may not be able to sign-in to your account and payment transactions on some applications may be temporarily unavailable. We apologize for any inconvenience.

Calendar

To register for any Mailers Hub webinar, go to MailersHub.com/events

Starting January 9, 2025, Mailers Hub webinars will be at 1pm on *Thursdays*, rather than Tuesdays, to minimize conflicts with other events.

February 20 – ***Mailers Hub* Webinar**
March 11-12 – MTAC Meeting, USPS Headquarters
March 13 – ***Mailers Hub* Webinar**
March 27-30 – MFSA Conference, Grapevine (TX)
April 3 – ***Mailers Hub* Webinar**
April 24 – ***Mailers Hub* Webinar**
April 27-30 – National Postal Forum, Nashville (TN)
May 15 – ***Mailers Hub* Webinar**
June 5 – ***Mailers Hub* Webinar**
June 8-12 – IPMA Conference, Spokane (WA)
June 26 – ***Mailers Hub* Webinar**
July 17 – ***Mailers Hub* Webinar**
July 22-23 – MTAC Meeting, USPS Headquarters
August 7 – ***Mailers Hub* Webinar**
August 28 – ***Mailers Hub* Webinar**
September 18 – ***Mailers Hub* Webinar**
October 7-8 – MTAC Meeting, USPS Headquarters
October 9 – ***Mailers Hub* Webinar**
October 22-24 – Printing United, Orlando (FL)
October 30 – ***Mailers Hub* Webinar**
November 20 – ***Mailers Hub* Webinar**
December 11 – ***Mailers Hub* Webinar**

BRANN & ISAACSON
ATTORNEYS AND COUNSELORS AT LAW

The services of Brann & Isaacson are now available to provide legal advice to subscribers. The firm is the Mailers Hub recommended legal counsel for mail producers on legal issues, including tax, privacy, consumer protection, intellectual property, vendor contracts, and employment matters. As part of their subscription, Mailers Hub subscribers get an annual consultation (up to one hour) from Brann & Isaacson, and a reduced rate for additional legal assistance. The points of contact at Brann & Isaacson are: Martin I. Eisenstein; David Swetnam-Burland; Stacy O. Stitham; Jamie Szal. They can also be reached by phone at (207) 786-3566.

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USPS PROPOSED RULE – Optional 5-Digit/3-Digit/ADC Sortation

POSTAL SERVICE

39 CFR Part 111

Optional 5-Digit/3-Digit/ADC Sortation

AGENCY: Postal Service.

ACTION: Proposed rule.

SUMMARY: The Postal Service is proposing to amend *Mailing Standards of the United States Postal Service, Domestic Mail Manual* (DMM) to change the standards for First Class Mail and USPS Marketing Mail flats from a "required" 5-digit, 3-digit, and ADC preparation to an "optional" preparation.

DATES: Submit comments on or before March 7, 2025.

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 "Optional 5-Digit/3-Digit/ADC Sortation." 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 sections 235 and 245 require mailers of First Class Mail and USPS Marketing Mail flats to make a 5-digit, 3-digit, and ADC bundle and tray preparation. The Postal Service is proposing to amend the standards in DMM sections 235 and 245 to make the 5-digit, 3-digit, and ADC preparation "optional" when preparing bundles and trays of First Class Mail and USPS Marketing Mail flats.

The Postal Service is proposing to implement this change effective May 1, 2025. We believe that the proposed revisions will encourage mailers to create full flat trays of flat mail and will reduce the volume of bundles entered into the mailstream.

Although exempt from the notice and comment requirements of the Administrative Procedure Act (5 USC 553(b), (c)) regarding proposed rulemaking by 39 USC 410(a), the Postal Service invites public comment on the proposed revisions to *Mailing Standards of the United States Postal Service, Domestic Mail Manual* (DMM), incorporated by reference in the *Code of Federal Regulations*.

We will publish an appropriate amendment to 39 CFR part 111 to reflect these changes.

List of Subjects in 39 CFR Part 111

Administrative practice and procedure, Postal Service.

Accordingly, the Postal Service proposes the following changes to *Mailing Standards of the United States Postal Service, Domestic Mail Manual* (DMM), incorporated by reference in the *Code of Federal Regulations* (see 39 CFR 111.1):

PART 111 – [AMENDED]

1. The authority citation for 39 CFR part 111 continues to read as follows:

Authority: 5 USC 552(a); 13 USC 301-307; 18 USC 1692-1737; 39 USC. 101, 401-404, 414, 416, 3001-3018, 3201-3220, 3401-3406, 3621, 3622, 3626, 3629, 3631-3633, 3641, 3681-3685, and 5001.

2. Revise the *Mailing Standards of the United States Postal Service, Domestic Mail Manual* (DMM) as follows:

***Mailing Standards of the United States Postal Service, Domestic Mail Manual* (DMM)**

* * * * *

200 Commercial Letters, Cards, Flats, and Parcels

* * * * *

230 Commercial Mail First-Class Mail

* * * * *

235 Mail Preparation

* * * * *

7.0 Preparation of Nonautomation Flats

* * * * *

USPS PROPOSED RULE – Optional 5-Digit/3-Digit/ADC Sortation

7.4 Bundling and Labeling

* * * * *

[Revise the text of items (a) through (c) to read as follows:]

a. 5-digit (optional); 10-piece minimum; red Label 5 or optional endorsement line (OEL).

b. 3-digit (optional); 10-piece minimum; green Label 3 or OEL.

c. ADC (optional); 10-piece minimum; pink Label A or OEL.

* * * * *

7.5 Traying and Labeling

* * * * *

[Revise the first paragraph of item (a) to read as follows:]

a. 5-digit (optional); full trays (no overflow); labeling: * * *

[Revise the first paragraph of item (b) to read as follows:]

b. 3-digit (optional); full trays (no overflow), except for one less-than-full tray for each origin 3-digit(s); labeling: * * *

c. ADC (optional); full trays (no overflow); labeling: * * *

* * * * *

8.0 Preparation of Automation Flats

* * * * *

8.5 First-Class Mail Required Bundle-Based Preparation

8.5.1 Bundling and Labeling

Preparation sequence, bundle size (except as allowed under 203.4.12), and labeling:

* * * * *

[Revise the text of items (b) through (d) to read as follows:]

b. 5-digit (optional); 10-piece minimum; red Label 5 or optional endorsement line (OEL).

c. 3-digit (optional); 10-piece minimum; green Label 3 or OEL.

d. ADC (optional); 10-piece minimum; pink Label A or OEL.

* * * * *

8.5.2 Traying and Labeling

Preparation sequence, tray size, and labeling:

* * * * *

[Revise the first paragraph of item (a) to read as follows:]

a. 5-digit (optional); full trays (no overflow); labeling: * * *

[Revise the first paragraph of item (b) to read as follows:]

b. 3-digit (optional); full trays (no overflow); labeling: * * *

* * * * *

[Revise the first paragraph of item (d) to read as follows:]

d. ADC (optional); full trays (no overflow); labeling: * * *

* * * * *

8.6 First-Class Mail Optional Tray-Based Preparation

Tray size, preparation sequence, and Line 1 labeling:

* * * * *

[Revise the text of item (a) to read as follows:]

a. 5-digit: optional (90-piece minimum); one less-than-full or overflow tray allowed; for Line 1, use city, state, and 5-digit ZIP Code destination of pieces (for military mail see 4.0). (Preparation to qualify for 5-digit price is optional and need not be done for all 5-digit destinations.)

[Revise the text of item (b) to read as follows:]

b. 3-digit: optional (90-piece minimum); one less-than-full or overflow tray allowed; for Line 1, use L002, Column A for 3-digit destinations.

* * * * *

[Revise the first sentence of item (d) to read as follows:]

USPS PROPOSED RULE – Optional 5-Digit/3-Digit/ADC Sortation

d. ADC: optional (90-piece minimum); one less-than-full or overflow tray allowed; group pieces by 3-digit ZIP Code prefix; for Line 1, use L004. * * *

* * * * *

240 Commercial Mail USPS Marketing Mail

* * * * *

245 Mail Preparation

* * * * *

8.0 Preparing Nonautomation Flats

* * * * *

8.3 Bundling and Labeling

* * * * *

[Revise the first paragraph of item (b) to read as follows:]

b. 5-digit (optional), see definition in 1.4j: * * *

* * * * *

[Revise the text of items (d) and (e) to read as follows:]

d. 3-digit (optional), see definition in 1.4o; 10-piece minimum; green Label 3 or OEL.

e. ADC (optional); 10-piece minimum; pink Label A or OEL.

* * * * *

8.6 Traying, Sacking, and Labeling

* * * * *

[Revise the first paragraph of item (a) to read as follows:]

a. 5-digit/scheme; scheme sort required before 5-digit sort, 5-digit sort optional, only for pieces meeting the automation flats criteria in 201.6.0, see definition in 1.4j; full flat tray; 125-piece, or 15-pound minimum; labeling: * * *

[Revise the first paragraph of item (b) to read as follows:]

b. 3-digit (optional); full flat tray; 125-piece, or 15-pound minimum; labeling: * * *

* * * * *

[Revise the first paragraph of item (d) to read as follows:]

d. ADC (optional); full flat tray; 125-piece, or 15-pound minimum; labeling: * * *

* * * * *

10.0 Preparing Automation Flats

* * * * *

10.4 USPS Marketing Mail Bundle and Flat-Tray Preparation

10.4.1 Bundling and Labeling

* * * * *

[Revise the first paragraph of item (b)

b. 5-digit presort (optional); see definition in 1.4g: * * *

[Revise the text of items (d) and (e) to read as follows:]

d. 3-digit presort (optional); see definition in 1.4n; 10-piece minimum; green Label 3 or OEL.

e. ADC (optional); 10-piece minimum; pink Label A or OEL.

* * * * *

10.4.3 Traying, Sacking, and Labeling

* * * * *

[Revise the first paragraph of item (a) to read as follows:]

a. 5-digit/scheme; scheme sort required before 5-digit sort, 5-digit sort optional; see definition in 1.4g; full flat tray, 125-piece, or 15-pound minimum, labeling: * * *

[Revise the first paragraph of item (b) to read as follows:]

b. 3-digit (optional); full flat tray, 125-piece or 15-pound minimum; labeling: * * *

* * * * *

[Revise the first paragraph of item (d) to read as follows:]

d. ADC (optional); full flat tray, 125-piece, or 15-pound minimum; labeling: * * *

* * * * *

Kevin Rayburn, Attorney, Ethics & Legal Compliance.