



In this issue ...

Senate Passes “Postal Reform” Bill. For once, the can didn’t get kicked down the road. *Page 1.*

CPI Cap Points to Another Crushing Price Increase. Only Louis DeJoy could consider the increase “judicious.” *Page 2.*

The Non-Trickle Down Effect – Commentary. Ratepayers shouldn’t expect any relief from sharp price increases. *Page 2.*

Limited Banking “Test” Continues to Draw Attention. The under-the-radar test still raises questions. *Page 3.*

Changes in Paper Production Impacting Mail Producers. The *Target Report* explains how the paper industry is changing. *Page 5.*

OIG Finds Misrouting of Mail to Air Carriers. Lack of training – again – adds to cost and delay. *Page 6.*

Driver Shortage Studied in OIG White Paper. Too few drivers even as the PMG wants more mail moved by truck. *Page 7.*

USPS Data Shows Significant Volume Not “In Measurement.” Measuring only the best mail helps yield better scores. *Page 8.*

Miscellany. NGDV developments; Labor update. *Page 9.*

All the Official Stuff. *Federal Register* notices, *Postal Bulletin* articles, *DMM Advisory* and *Industry Alert* postings. *Page 10.*

Calendar. Scheduled events and more. *Page 12.*

USPS Alerts and Notices Related to COVID-19. *Page 13.*

Senate Passes “Postal Reform” Bill

On the afternoon of March 8, after weeks of delay, the Senate passed HR 3076, the *Postal Service Reform Act of 2022*, by a bipartisan 79-19 vote. The House had approved the bill on February 8 on a 342-92 vote. The measure now goes to the president, whose signature is expected.

Senate Vote on HR 3076				
Yeas – 79				
Baldwin	Coons	Hickenlooper	Merkley	Sinema
Barrasso	Cortez Masto	Hirono	Moran	Smith
Bennet	Cotton	Hoeven	Murkowski	Stabenow
Blumenthal	Cramer	Kaine	Murphy	Sullivan
Blunt	Daines	Kelly	Murray	Tester
Booker	Duckworth	Kennedy	Ossoff	Thune
Boozman	Durbin	King	Padilla	Tillis
Brown	Ernst	Klobuchar	Peters	Van Hollen
Burr	Feinstein	Leahy	Portman	Warner
Cantwell	Fischer	Lujan	Reed	Warnock
Capito	Gillibrand	Lummis	Rosen	Warren
Cardin	Graham	Manchin	Rounds	Whitehouse
Carper	Grassley	Markey	Sanders	Wicker
Casey	Hassan	Marshall	Schatz	Wyden
Cassidy	Hawley	McConnell	Schumer	Young
Collins	Heinrich	Menendez	Shaheen	
Nays – 19				
Blackburn	Cruz	Lee	Rubio	Shelby
Braun	Hyde-Smith	Paul	Sasse	Toomey
Cornyn	Johnson	Risch	Scott (FL)	Tuberville
Crapo	Lankford	Romney	Scott (SC)	
Not Voting – 2				
Hagerty	Inhofe			

Senate leadership initially sought to move the bill quickly after receiving it from the House. However, a clerical error caused an earlier version of the bill – not the one actually passed by the House – to be sent to the Senate.

Efforts to remedy that error by procedural measures were frustrated as opponents took the opportunity to raise objections. Sen. Rick Scott (FL) led with an objection based on, among several points, the bill not having been reviewed by the Senate Homeland Security and Governmental Affairs committee (on which he sits), as well as arguments that the measure would further burden the Medicare trust fund.

The delay also enabled the filing of a flurry of amendments to the bill – some on unrelated matters – each of which required additional floor discussion and voting. More than once, a vote on the bill itself was thought to be near, only to have progress derailed by procedural matters.

Eventually, advocates for the bill from both sides of the aisle overcame resistance to it, resulting in solid bipartisan support when the roll call vote was taken.

Major elements

Like all such measures, the text of the bill is written in legislative language that adds to, deletes from, or revises existing statute, often making it difficult for readers to discern the result. Based on a plain language summary produced by the Congressional Research Service, HR 3076:

- ... requires the Office of Personnel Management to establish the Postal Service Health Benefits Program within the Federal Employees Health Benefits Program under which OPM may contract with carriers to offer health benefits plans for USPS employees and retirees.
- ... provides for coordinated enrollment of retirees under this program and Medicare.
- ... repeals the requirement that the USPS annually prepay future retirement health benefits, and voiding defaulted past payments.
- ... allows the USPS to establish a program to enter into agreements with an agency of any state, local, or tribal government, and with other government agencies, to provide certain non-postal products and services that reasonably contribute to the costs of the USPS and meet other specified criteria.
- ... requires the USPS to develop and maintain a publicly available dashboard to track service performance, and to report regularly on its operations and financial condition.
- ... requires the Postal Regulatory Commission to submit an annual budget to the USPS, and to conduct a study to identify the causes and effects of postal inefficiencies related to flats.
- ... merges the functions of the PRC’s Office of Inspector General into the USPS Office of Inspector General.

The bill’s provision removing the prefunding obligation is estimated to eliminate \$107 billion in USPS debt and future obligations. Though the PMG has praised the bill’s passage, he’s been silent about whether that financial relief will blunt his zeal to optimize opportunities for higher postage rates.

CPI Cap Points to Another Crushing Price Increase

When the January CPI data was released last month by the Bureau of Labor Statistics, it pushed the annualized cap on Postal Service rate authority to an all-time high of 5.206% (the previous high was 4.5% in November 2008). Unfortunately, that was bested by the February CPI, released March 10, which yielded an annualized CPI cap of 5.724%.

However, because the USPS will be filing for its planned July 10 rate increase in early April, less than twelve months after its prior filing on May 28, 2021 (for the price increase effective last August), and before issuance of the March CPI on April 12, a different formula will be used to calculate the applicable cap, based on the February CPI.

As of the release of the February CPI, that less-than-12-month cap figure rose to 5.135%, up 0.661% from last month. To that, the USPS can add any unused (“banked”) rate authority leftover from earlier price change filings.

There’s more

The Postal Service also has three additional sources of rate authority, based on a final rule issued by the Postal Regulatory Commission on November 30, 2020: “density,” tied to the decline in mail volume; “retirement,” to generate the Postal Service’s required payments to prefund future retiree health care costs; and “non-compensatory,” a fixed 2% to be applied only to classes and products whose rates don’t cover their costs. The current calculations for the “density” and “retirement” rate authorities are 0.583% and 1.071%, respectively, though both could be adjusted slightly as final calculations are made prior to the anticipated April 10 filing.

Regardless, adding all the sources of rate authority together, the total price increase facing the clients of commercial mail producers would be 6.789% (or 8.789% for “underwater” classes and products), *plus* any “banked” authority:

Class	CPI	Bank	Density	Retirement	Noncompensatory	Total
First-Class	5.135	0.004	0.583	1.071	n/a	6.793
Marketing	5.135	0.002	0.583	1.071	n/a	6.791
Periodicals	5.135	0.037	0.583	1.071	2.000	8.826
Pkg Svcs	5.135	0.008	0.583	1.071	2.000	8.797
Special Svcs	5.135	0.005	0.583	1.071	n/a	6.794

The cap is applied at the class level, spread to individual rate cells by applying volumes in that cell to a proposed change in price. As the push-and-pull is managed by postal rate-makers, logical rate relationships, intended price signals, and other criteria are considered, all of which must be summed to yield an overall increase for the class that’s under the cap.

As a result, individual rate categories can and likely will vary, some perhaps widely, resulting in some experiencing increases that are well below or above the class average.

If the Postal Service maximizes the use of its price authority, as PMG Louis DeJoy has often said is his intent, the total price change that would have been experienced by ratepayers in less than a year would be stunning:

Class	August 2021	July 2022	Total
First-Class	6.814	6.793	13.607
Marketing	6.815	6.791	13.606
Periodicals	8.806	8.826	17.632
Package Svcs	8.806	8.797	17.603
Special Services	6.808	6.794	13.602

The Non-Trickle Down Effect – Commentary

Back in the 1980s, particularly during the Reagan administration, an often-heard phrase was “trickle-down economics,” another term for supply-side economic policies, that generally held that tax breaks and benefits for corporations and the wealthy would trickle down to everyone else.

Whether anyone who’s not an economist subscribes to the theory as it pertains to the national economy, it still can be translated – sort of – into the world of the Postal Service.

Reform and The Plan

Upon enactment of the 2022 version of postal reform (HR 3076, the *Postal Service Reform Act of 2022*) the USPS will receive significant relief from past and future financial obligations related to health care costs for employees and annuitants.

Specifically, that relief derives from two major provisions of the law: one repealing the mandate in the 2006 postal reform law that required the Postal Service to prefund 75 years of future retiree health care costs, and the other allowing USPS employees and annuitants to fully participate in Medicare, thus reducing USPS contributions to other employee and retiree health plans. (Postal employees have always contributed to Medicare like private sector employees but, unlike them, weren’t not allowed access to full benefits.)

The total value of that relief has been estimated to be as much as \$107 billion, though that number varies based on who’s estimating and how; the low end of the estimates is still about \$50 billion. Regardless, it’s a lot of money, which

is especially important given that it will partly offset what Postmaster General Louis DeJoy predicted in his 10-year Plan would be \$160 billion in Postal Service losses over ten years.

Objections

That Plan includes a variety of measures to both reduce cost and increase revenue, but the two elements of the Plan that are most onerous to mail producers and ratepayers are the reduction in service standards for First-Class Mail and some Periodicals, and the implementation of semiannual price increases that will be as large as legally possible.

At the same time, The Plan does not include any measures to reduce labor costs; in fact, the agency continues its pattern of largesse when reaching new agreements with the postal labor unions, and there are no efforts to implement performance or productivity standards.

On the revenue side, DeJoy has placed emphasis on growing the agency’s package business, as if the existing giants in the package arena will meekly allow the USPS to become a viable competitor. Only passing mention is given the existing market-dominant classes, and no plans are offered to seriously reinvigorate hard-copy mail.

Meanwhile, the objections of the commercial mailing industry and its ratepaying customers to those two unsavory initiatives mentioned above have been dismissed consistently by the PMG. Parties opposed to his Plan are considered self-interested, narrow-minded whiners and obstructionists. His comments in the past have never indicated that he feels

the need to get input about his Plan or its implementation from the mail producing and ratepaying community.

However, now that Congress has passed the legislation that he'd advocated in his Plan, the question that's resurfaced in the mind of mail producers and ratepayers is how the financial relief afforded to the USPS by that legislation will impact the Plan's financial forecasts and, in turn, the need for maximized price increases.

(Observers also note that the USPS ended fiscal 2021 with revenue that was 8.7% better than planned, and 5.7% better than at the end of FY 2020. The USPS also had nearly \$24 billion in cold cash at the end of the first quarter of fiscal 2022. Both of these data points further fuel doubts about the accuracy of the oft-cited \$160 billion hole DeJoy want to fill with ratepayers' money.)

Trickling or not

Economists might be able to postulate how the benefits of billions in financial relief for the Postal Service are supposed to *trickle down* to ratepayers, much like tax cuts for the rich were supposed to *trickle down* to everyone else, but odds are that the results for ratepayers will be as indiscernible as those experienced by average citizens from "trickle-down economics."

However, unlike during the Reagan years, when there was no-one deciding whether any alleged benefits would be allowed to *trickle down*, there is someone – the PMG – who will decide whether the benefits of postal reform will *trickle down* to ratepayers. If history is any guide, they won't.

The Postmaster General has repeatedly affirmed his intent to maximize the use of whatever rate authority is available to

him, regardless of how the circumstances underlying his Plan's financial elements might change.

Though, officially, the Governors of the Postal Service have the exclusive right to file price change requests, the majority have shown scrupulous allegiance to DeJoy, acceding to whatever he proposes should be done – including raising rates.

No changes

Not that it will alter his course, but outside observers have questioned not only the bases for the Plan's financial projections but how the Plan itself could – or *should* – be revised if those bases prove incorrect.

Clearly, getting billions in relief from past and future obligations should make a difference in the total projected loss, and, accordingly, reduce the revenue need, but few expect DeJoy will be diverted from his semiannual price increases on market-dominant products.

Most readers of the PMG's Plan get the impression that it assumes the inevitable and unalterable decline of traditional hard-copy (market-dominant) mail. This apparent premise drives the perspective that revenues from whatever of that mail remains should be maximized. Conversely, there's no attention given in the Plan to how the decline could be moderated by *better service* or, more importantly, by a less aggressive pricing strategy.

Therefore, while ratepayers and the commercial mail producers that serve them might be buoyed by the news of financial relief for the Postal Service, they shouldn't expect that any benefit from that relief will *trickle down* to them. Louis DeJoy will see to that.

Limited Banking "Test" Continues to Draw Attention

Last September, without fanfare, the Postal Service began testing what was styled as a check-cashing service under which customers could purchase gift cards – that the USPS already sells at retail – and pay for them with a business or payroll check. Checks were limited to \$500, and their full value, less the \$5.95 fee, was transferred to the card.

The test was conducted in only four locations: Washington (DC), Falls Church (VA), Baltimore, and the Bronx and, by its equally unpublicized conclusion, there had been only six sales generating \$37.50 in fees.

Advocates

Postal banking has long been advocated by liberal politicians as a way to provide financial services to the "unbanked," i.e., persons who don't or can't use traditional banks. Giving them access to banking at the tens of thousands of USPS retail outlets would benefit them greatly, advocates claim, while at the same time generating business for the agency.

The Post Office Department's Postal Savings System ended in 1966 and, since then, the USPS hasn't shown particular interest in that business line, despite the prodding of the American Postal Workers Union and its Congressional adherents. Reportedly, former Postmaster General Megan Brennan had not pursued developing the service even though the union had agreed to allow it to be tested.

All that changed, however, when the APWU met with PMG Louis DeJoy. Reportedly, DeJoy liked the idea and saw it as a

service he could tie with his plans for expanding the package business to simplify customer transactions.

The agency nonetheless was clever in its approach to conducting the test. Because it's already allowed to sell gift cards as an authorized "nonpostal service" and collect a service fee, letting customers pay for one with a paycheck let the agency premise the check-cashing as simply a gift card purchase, and thus justify not seeking further approval from the Postal Regulatory Commission.

Questions

Because the PRC hadn't been approached prior to the test doesn't mean it didn't notice – and have questions. In a January 7 information request, the commission asked a long series of questions seeking details about the test, such as:

"Please discuss the Postal Service's rationale to commence the Pilot Program **without Commission review**, especially in light of the statement attributed to a Postal Service spokesperson that ties the Pilot Program to '[o]ffering new products and services that are affordable, convenient and secure aligns with the Postal Service's Delivering for America 10-year plan... ' ..."

[The USPS responded on January 14 that "Postal Regulatory Commission review was considered unnecessary because the gift card product was approved in 2014 under the competitive product category of Postal Services. The current pilot is merely **testing a new form of payment for an established postal product – gift cards**. This did not require a change to the Mail Classification Schedule. The pilot is, moreover, simply a time-limited test that is limited in geographic scope."]

“Please explain how the Postal Service intends to evaluate the success or failure of the Pilot Program, providing specific metrics or criteria if applicable.”

[USPS response: “The pilot will assess consumer usage and hence whether there is a benefit to the communities involved, operational capabilities, number of business and payroll checks cashed, and funds transferred to a gift card.”]

“Please identify any plans for expanding the Pilot Program (either to new locations or other payment methods) in the next fiscal year, if applicable. ...”

[USPS response: “Although we are considering potential next steps for this initiative, no decisions or definitive plans regarding terminating, changing, or expanding the pilot have been made. Such decisions are pending further evaluation of the pilot.”]

In follow-up questions issued January 28, the PRC asked for yet more details, including:

“... Given that between September 13, 2021, and January 14, 2022, there were only six customers, how will the Postal Service proceed going forward? Will the Postal Service continue and/or expand its efforts in this area?”

[The USPS responded on February 4: “The Postal Service continues to monitor the pilot and anticipates that more gift cards may be purchased using the additional forms of payment being tested. At this time, no decisions or definitive plans regarding terminating, changing, or expanding the pilot have been made.”]

“Did the Postal Service advertise the Pilot Program in the four retail Post Office locations upon launching the Pilot Program? How were customers informed about this service? ...”

[USPS response: “Yes. The Postal Service provided advertising collateral to the four Pilot sites. The following items were included: a. Tear Pads; b. Tent Cards; c. Buttons; d. Pop-Up Signage; e. Digital Signage; f. Counter Displays; g. Information provided in response to Google searches involving the specific test offices. ...”]

“The Postal Service states that this ‘pilot’ is a ‘time-limited test.’ ... Pursuant to 39 CFR part 3045 and 39 USC § 3641, any market test for an experimental product, including services ancillary to only competitive products, must be first reviewed and approved by the Commission at least 30 days before initiating such test. Please explain with a full degree of specificity why the Postal Service believes that this program is not a market test as described in the statute and Commission regulations 39 CFR part 3045.”

[USPS response: “The Postal Service considers the application of Commission rules pertaining to market tests to be inapplicable in this instance for several reasons. First, no new products or services are involved in the current pilot. The only products being sold are the existing gift cards that have been previously authorized by the Commission. Second, the focus of the test is a limited acceptance of an additional form of payment, not market response to the sale of an innovative product or service not currently listed in the Mail Classification Schedule. Forms of payment for Postal Service products are not products or services themselves. Finally, acceptable forms of payment for gift cards are not set forth in the Mail Classification Schedule, and therefore are governed by Postal Service discretion and regulations.”]

Opponents

Whether the PRC was satisfied with the Postal Service’s answers will be revealed in its *Annual Compliance Determination* later this month. Regardless, there were other observers in Congress who weren’t pleased with the under-the-radar test or how it conspicuously avoided PRC regulation.

In a March 1 letter to PRC chair Michael Kubayanda, Reps. Blaine Luetkemeyer (MO-3rd), Ranking Member of the House Consumer Protection & Financial Institutions Subcommittee, and eight colleagues stated, in part:

“The Postal Service’s attempt to offer a financial services product without proper approval from the PRC raises questions as to the intentions of USPS leadership and the PRC’s authority to conduct oversight of the Postal Service’s product lines. The notion that USPS could engage in this pilot program by justifying it as a new payment option – as opposed to a new product – is an affront to the PRC’s statutory role.

“To be clear, accepting paychecks and business checks in exchange for gift cards that operate in a manner similar to cash is more akin to a check cashing service than to a ‘postal service’ ... Customers appear to agree that USPS should stick to postal services: a USPS report on the pilot program shows only six customers used the service from September 12, 2021 through January 12, 2022.

“It is unclear whether the USPS will continue the pilot program in light of its unpopularity. Doing so would only highlight the USPS’s lack of understanding of the financial services industry and reinforce it needs to stick to its mandate of distributing the mail. ...

“... As the independent Federal agency charged with providing transparency and accountability at the USPS, we ask the PRC to assert its statutory role with respect to the pilot program and subject the matter to the appropriate procedures outlined in the PAEA for new products. Furthermore, we encourage the PRC to prevent the USPS from participating in any additional financial services in the future. ...”

Given that the matter is part of an open docket, Kubayanda had to be cautious in his March 9 reply:

“... Through a series of questions in the ACD docket, the Commission has formally sought information about the scope of, and authorization for, this program, specifically seeking to understand the following: the retail locations participating in the pilot, the controls in place for handling these new payments as part of the pilot, the USPS’ legal basis for commencing the pilot (including attributes of gift cards that led to the prior classification of gift cards as a postal product), the revenue collected as part of the pilot, future plans for the pilot, and the history and legal basis for prior USPS activities involving Treasury checks and payroll checks. ...

“Under the Commission’s *Ex Parte* rules, when the Commission is reviewing a matter in a pending official docket, any information received outside of the formal dockets procedure must be disclosed to ensure the transparency of the proceeding. Although the Commission may not consider your letter in preparing and issuing the ACD due to the *Ex Parte* rules, your letter and this response to it will be posted in the ACD docket according to the Commission’s rules.

“While I am limited in what I can discuss with you about this matter prior to the Commission finalizing its ACD, once the Commission releases the ACD, the Commission can provide briefings on the Commission’s findings relating to this issue. ...”

Postal banking has been opposed by conservative politicians and the financial services industry that see postal banking as an inappropriate venture into private sector business by a government entity. Opponents also note that:

- Any financial risk related to individuals who can’t or don’t use traditional banks could be relevant to postal banking and should be evaluated before offering such services. If banks cannot serve the “unbanked” profitably it’s doubtful the USPS could, making it essential to protect the agency from losses it can’t afford.
- The Postal Service lacks competencies in several areas, aside from its facilities: the infrastructure to manage financial services; and expertise about the internal risk controls, consumer protection laws, and privacy regulations with which banks must comply.

Regardless, the future of postal banking likely will be driven as much by political calculus as sound business judgement.

Changes in Paper Production Impacting Mail Producers

It isn't news to commercial mail producers that paper availability is tight. Unfortunately, supplies aren't likely to improve anytime soon as trends in the paper industry move away from printing paper into types more suitable for packaging.

A refrain is now heard throughout the printing industry; paper supplies are very tight, allocations limit the ability to take on new customers, discounts and rebates are a thing of the past, shipments are delayed until price increases take effect, and printing and packaging companies increase paper inventories at every opportunity. The supply and demand curves have crossed, and the mills are in charge.

There are several reasons pricing leverage has shifted to the mills, including a labor strike at Finnish papermaker UPM, Covid-related supply chain disruptions, shortages of drivers, all in addition to the numerous closures of paper mills over the past several years.

The Finns will eventually go back to work, shipping containers will get sorted out, truck drivers will be hired, and pricing will eventually settle down. However, one trend that is not likely to reverse is the conversion of papermaking machines from printing paper grades to packaging grades.

Conversion to Brown Paper

McKinley Paper Company, a subsidiary of Mexico-based paper producer Bio Pappel, acquired Midwest Paper Group located in Combined Locks, Wisconsin. The Midwest Paper Group mill is the former Appleton Paper mill, which for many years produced fine printing papers. The switch to packaging grades has taken several years to complete, with the mill's loyal employees traversing a painful path through several owners, receivership, a complete shutdown of the mill, the resurrection and re-starting of the machines, and finally the rebuilding of the paper machines to make lower quality, but in demand, packaging grades.

At one time, the Appleton Papers company, which operated the mill, made some of the finest coated printing paper grades. As the former owner of a commercial printing company, I remember that some of the papers that Appleton Papers made were so fine that they were rated above number one and earned the approbation as premium and super-premium grades. Sold under the tradename Utopia One, these were beautiful papers.

Appleton Paper was capable of making these fine grades because the company had a long history of technical proficiency in paper coating technology. Notably, in the 1950's when the inventor of microencapsulated inks developed the technology that enabled carbonless papers, he went to Appleton to commercialize his invention. Appvion, the successor to the original Appleton Papers company, has retained much of that coating expertise, now applied to direct thermal labels and other highly specialized coated substrates.

As Appleton transitioned to become specialty coating company Appvion, the mills were sold off and acquired by an investment group. That group foresaw the increased demand for packaging grades and began the transformation of the mill's product lines. However, the company was overleveraged, and the Combined Locks facility eventually was forced to shut down when the company's lender forced it into receivership in September 2017. Two used machine dealers picked up the 55-acre mill complex in the receivership proceedings, apparently intending to sell off the pieces. Fortuitously, the buyers stopped, looked at what they had bought, and listened to the investment group that had failed to complete the conversion.

The new buyers decided to give it a go and restarted the mill's papermaking machines in 2018, recalling many of the laid off highly skilled papermakers. Commenting on the continuation of the conversion plans, the president of Midwest was quoted at the time, "White paper is in a declining market and you're fighting to sell every ton. When you move to brown paper, we're making both the inside and the outside of the boxes. It may not be sexy, but that market is growing tremendously, and we're excited about it. We're using our ability to make high-quality white paper and it put us in a position to make brown paper very, very well."

An excellent overview of the situation was provided by Mark Hahn, Senior Managing Director and Founder of Graphic Arts Advisors, in his March 7 *Target Report*, reproduced below with permission.

McKinley Paper has other papermaking assets in the US, including US Corrugated in Pennsylvania which it acquired in 2019. It's parent company, Bio Pappel, is focusing its efforts on the production of packaging grades. The purchase by McKinley Paper firmly cements the conversion of the Combined Locks mill site to the production of brown Kraft paper and containerboard products.

More Conversions on the Horizon

In December 2021, Swedish paper company BillerudKorsnäs announced the acquisition of US-based Verso Corporation. Verso is the successor to the coated business of two major paper companies, International Paper and NewPage Holdings. Before being rolled into Verso, NewPage had itself acquired MeadWestvaco's printing and writing paper business, as well as the North American assets of Stora Enso (formerly Consolidated Papers). Both Verso and NewPage declared bankruptcy and were restructured, shedding billions of dollars of debt in the process. During their relatively short lifespans, Verso and NewPage each separately closed numerous paper mills that produced printing paper grades as the market for these grades contracted.

BillerudKorsnäs stated goal in its acquisition of Verso is to build one of the most cost-efficient and sustainable paperboard platforms in North America by converting some of Verso's assets into paperboard machines. Verso's largest mill in Escanaba, Michigan, which currently produces printing and specialty grades for printing magazines, books, direct mail, and labels will be converted into a fully integrated pulp and paperboard production site. The plans call for one machine to be converted by 2025 and a second machine by 2029. BillerudKorsnäs will produce paper at Escanaba during the conversion. At the other mill included in the Verso deal, at Quinnesec, Michigan, the company will continue to produce coated woodfree and specialty printing papers. Despite the buyer's assertion that it is committed to serve Verso's existing customers, it appears that almost 75% of the acquired capacity will be converted from printing grades to paperboard grades.

The McKinley Paper mill and Verso conversions follow transitions at other paper mills, including ND Paper's reworking of its Rumford, Maine, paper mill to shift production further into packaging grades. ND Paper is a wholly-owned subsidiary of China-based Nine Dragons Paper Holdings, the largest producer of containerboard in Asia. Similar to Mexico's Bio Pappel, the Chinese company's focus is on the production of packaging, not printing, paper grades.

No Going Back

The paper industry has been chasing falling demand across the printing grades for a couple decades, closing mills, seeking to regain pricing leverage. With the uptick in online purchasing and increased consumer spending across the board during the rebound from the Covid shutdowns, the stage was set for the significant shift in paper manufacturing now well underway. The result is that shuttered mills have reopened, and in the process, transitioned to packaging grades. Underperforming mills are purchased, and the new owners reconfigure the paper machines away from printing paper grades and to containerboard or kraft papers. Paper making operations are large and capital-intensive; the moves are major sea changes and will not be easily reversed. The result will be tight supplies of printing grade papers for the foreseeable future.

The March 15 *Mailers Hub* webinar will be *Paper Problems: The Paper Supply Chain*, featuring Scott Hider, President of Clampitt Paper Company. To register, click here.



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To subscribe to the *Target Report*, click [here](#).

OIG Finds Misrouting of Mail to Air Carriers

In an audit report released March 2, the Postal Service's Office of Inspector General found that USPS errors resulted in a significant volume of mail being tendered to the wrong carrier or sent to the wrong destination.

Background

The OIG explained that its "self-initiated audit" sought

"... to determine why mail does not move on its assigned air carrier or moves to the wrong [carrier facility]."

"The Postal Service spent about \$3 billion on air transportation costs in fiscal year (FY) 2021 – an increase of about \$53 million over FY 2020. These costs consisted of contracted services from commercial airlines, auxiliary transportation, charters (ad hoc), and terminal handling services (THS) operations.

"The Postal Service uses a forecasting model to estimate the mail volume to be transported by air six months in advance. The model allocates the forecasted mail volume across the available air carriers by optimizing for cost and service. The Postal Service aims to allocate mail to carriers in the following order:

- [Redacted] which provides limited airlift and specified destinations.
- Auxiliary transportation, where the Postal Service is purchasing all or part of a private plane.
- Commercial airlines, which is the least expensive.
- [Redacted], which is the most expensive carrier but has the most available airlift and services more than percent of the Postal Service's mail volume."

The OIG further explained the Postal Service's process:

- The Postal Service plans its air transportation needs months in advance and assigns volume based on volume and cost.
- The USPS prints and affixes Dispatch and Routing (D&R) labels – which identify the date, transportation routing, mail class, and air carrier – to each containers.
- The Postal Service tenders the mail to the appropriate air carrier identified on the D&R label.
- The air network relies on postal facilities to tender mail timely and to follow pre-determined volumes (Volume Arrival Profile, VAP). The VAP details the hourly percentage of mail a facility must deliver to the THS so that personnel can prepare and tender the mail to the appropriate airline.
- At the THS facility, employees affix D&R labels to identify whether the mail is for a single location, or is for multiple locations, which will require an additional sort by the carrier. D&R labels also identify whether mail is intended to pass through intermediate handling or be on a direct flight.

Findings

The OIG reported two findings:

- **Mail Transported Incorrectly.** "From FYs 2018 through 2021, the Postal Service transported about 51.3 million pounds of mail originally assigned to lower cost air carriers on the more costly network [instead]. During the same period, the Postal Service transported about 5 million pounds of mail to the wrong [carrier facility]. While these amounts represent less than 1% of total air mail, they have increased in the last four years.

"Air mail did not move as assigned because employees were not properly trained on how to identify and move the mail. We interviewed 24 management personnel at 12 mail processing facilities to determine whether staff were trained on how to process air mail. During our observations, we found mislabeled containers of mail at mail processing facilities and mail that was not always correctly separated by air carrier. ...

"Additionally, air mail did not move as assigned because mail processing facilities were not following hourly mail volume requirements. Specifically, mail volume arrival at the THS should be aligned with transportation schedules to meet or exceed the planned VAP. ... However, because the percentage of mail received either did not meet or exceed the planned VAP, THS sites were unable to maximize the planned air container utilization.

"When mail is assigned to a carrier and subsequently placed on the wrong network or sent to the incorrect [facility], the Postal Service incurs additional transportation costs. We estimated the Postal Service incurred questioned costs of about \$9.9 million annually for FYs 2020 and 2021. ..."

- **Operational Meetings.** "We found management did not conduct operational meetings as intended to resolve issues, such as incorrectly routing mail to the wrong network and employees not following the VAP requirements. These meetings – known as Delegates Assigned to Generate Growth and Evaluate Resolutions (DAGGER) meetings – are typically conducted locally at the THS facility, the postal facility, or via teleconference on a monthly basis. [Carrier], THS, and Postal Service representatives attend these meetings to address issues with tendering mail. We interviewed THS site managers and local Postal Service management and reviewed the monthly DAGGER meeting minutes and found that local Postal Service management at all 12 mail processing facilities we visited were either not familiar with the DAGGER meetings and did not attend or did not have clear direction on the purpose of these meetings. ..."

The OIG offered four recommendations:

- [1] "... reinforce procedures for mail processing personnel to ensure they are following the terminal handling services requirements for routing mail on the correct network and hub.
- [2] "... reinforce the volume arrival profile requirements at mail processing facilities to ensure mail is tendered in accordance with the terminal handling service and [carrier] contracts.
- [3] "... reinforce the requirement for Postal Service liaisons conducting the monthly [DAGGER] meetings to address ongoing terminal handling service issues and consult headquarters to identify potential resolutions for implementation.
- [4] "... consider implementing-as applicable at mail processing facilities-best practices that may include displaying updated dispatch and routing signage and daily container quality checks."

The OIG noted the responses of USPS management to the recommendations:

- [1] "... they will reinforce procedures through training for mail processing personnel. The target implementation date is May 31, 2022.
- [2] "... the audit ignores or minimizes the daily plant conditions that make the VAP unachievable on some days. However, management agreed to continue reinforcing the requirements related to the VAP. The target implementation date is May 31, 2022.
- [3] "... they will reestablish guidelines pertaining to the structure and frequency of DAGGER meetings and also stated that they will track the meetings monthly for compliance. The target implementation date is March 31, 2022.
- [4] "... they have processes in place to ensure proper handling of mail based on current conditions and good business practices."

The OIG stated that it "considers management's comments responsive to recommendations 1, 2, and 3 and the corrective actions should resolve the issues. We consider management's comments nonresponsive to recommendation 4."

Driver Shortage Studied in OIG White Paper

Postmaster Louis DeJoy's 10-year Plan calls for moving more mail by truck and less by air, even though a shortage of drivers for the semis that would be used has been a worsening problem for several years.

That shortage was examined in a white paper, *The Truck Driver Shortage: Implications for the Postal Service* released March 7 by the Postal Service's Office of Inspector General.

Background

As the OIG explained:

"Since at least the early 2000s, the trucking industry has warned of a shortage of truck drivers. The American Trucking Associations (ATA) – the largest US trade association for the trucking industry – estimated a shortage of 80,000 drivers in 2021, an increase from 60,800 in 2018. The truck driver shortage worsened during the pandemic, as some drivers left the industry over health concerns. Additionally, driving schools closed during the pandemic, which impacted the labor supply during a period of increasing demand for freight. Even if these pandemic-related pressures subside, experts indicate the tight market for drivers is likely to continue. The ATA predicts that if the current trend continues, the shortage could surpass 160,000 drivers in 2030. ...

"The truck driver shortage is most acute in long-haul (in other words, non-local) trucking, specifically with for-hire carriers in the truckload sector. ...

"Truck drivers are an essential part of the Postal Service's transportation network. ... National challenges with driver recruitment and retention have implications for costs and performance of the Postal Service's transportation network."

USPS transportation

The USPS surface transportation network is operated by its own Postal Vehicle Service (PVS) and contracted Highway Contract Route (HCR) suppliers. PVS routes are generally under 50 miles and are operated to move mail between processing facilities, delivery offices, and local businesses and mailers. Both PVS and HCR drivers serve short-haul routes connecting facilities that are closer than 300 miles apart, while only HCR drivers serve longer routes.

"At the end of fiscal year (FY) 2021, the Postal Service employed 9,173 PVS drivers. In FY 2021, the Postal Service spent \$1.3 billion on PVS operations. ... As of September 1, 2021, the Postal Service had contracts with nearly 1,500 HCR suppliers for Local Distribution Transportation (the shorter routes) and nearly 250 suppliers for Processing Network Transportation (the longer routes). In FY 2021, the Postal Service spent about \$5.4 billion on highway transportation, which includes all HCR costs, fuel costs, trailer leasing costs, and service-wide surface costs."

PVS operations, though staffed by USPS employees, still has been impacted by the driver shortage.

"... As of December 2021, there was a shortage of 1,360 PVS drivers, with 9,163 drivers on roll but 10,523 earned. ... Drivers on roll represent the current staffing of PVS drivers, whereas the number of earned positions reflects how many PVS drivers the Postal Service estimates it must employ to meet staffing needs. Postal Service management indicated that wage competition is a primary challenge in the agency's PVS driver recruitment efforts, saying some geographic areas are particularly challenging for recruiting. Management also stated that while the PVS driver shortage does not impact service performance, it increases reliance on overtime and schedule adjustments at the local level when drivers are in short supply. ...

The turnover rate for PVS drivers is relatively low (14% between FY 2018 and FY 2021), compared to 17% for privately-operated fleets, 69% for small for-hire truckers, and 90% for large for-hire truckload fleets. HCR operators have been impacted as well, resulting in

... "an increase in HCR suppliers omitting service – that is, failing to fully provide the services outlined in their contract. ... Postal Service management noted that the shortage has contributed to increasing costs per mile for HCRs. To compete for limited resources, the Postal Service must pay more per mile."

Solutions

"[The OIG] spoke with more than a dozen industry subject matter experts (SMEs) on ways carriers and shippers are working to mitigate the effects of the driver shortage. ... The strategies fall into four categories: driver recruitment and retention, focusing on the driver experience, shipper-carrier relationships, and optimization.

- **"Driver Recruitment and Retention.** The driver shortage has contributed to challenges in recruiting and retaining drivers for both the PVS and the Postal Service's HCR suppliers. SMEs discussed strategies to recruit and retain drivers more effectively, reflecting best practices in a tight labor market for truck drivers. The strategies relate to wages and benefits, external and internal driver recruitment, and recruiting younger drivers and women drivers.
- **"Focusing on the Driver Experience.** Beyond wages and benefits, focusing on improving the driver experience is another way that carriers are working to better recruit and retain drivers. Likewise, shippers that ensure positive experiences for drivers at their facilities are preferred partners for carriers and drivers. SMEs identified three strategies for focusing on the driver experience: collecting driver feedback, working to encourage positive interactions with drivers at processing facilities, and ensuring driver access to amenities.
- **"Relationships with Carriers.** Postal Service management shared that a strategy they are pursuing to mitigate the effects of the driver shortage is to expand the number of HCR suppliers they work with. Some suppliers lack enough drivers to accept new contracts or additional trips, and Postal Service management indicated the agency needs to broaden its supplier base by bringing in commercial transportation suppliers that do not have prior experience with the Postal Service. The total number of contracted HCR suppliers has trended downward in recent years, decreasing by about a third between FY 2018 and FY 2021.
- **"Optimization.** Improving efficiency is another strategy to mitigate the effects of the driver shortage, by more fully leveraging the supply of drivers available and to help offset increasing highway transportation costs. SMEs pointed to two areas where improving efficiency can help companies overcome the shortage: maximizing drive time and improving trailer utilization. With limited drivers available, it is especially important that drivers spend their available time on the road rather than waiting at facilities. In fact, an MIT researcher estimated that an additional 18 minutes per day on the road per driver would end the driver shortage. Consequently, shippers and carriers alike are looking for ways to limit dwell time."

In conclusion, the OIG noted that

"The Postal Service runs national marketing campaigns to recruit drivers, including advertising openings on trucking industry job boards, social media platforms, and banners hanging from postal facilities. ... The Postal Service is also working to expand the HCR supplier base to mitigate the effects of the truck driver shortage. ... Finally, the Postal Service is taking steps to improve truck utilization, which can help mitigate the effects of the shortage."

USPS Data Shows Significant Volume Not “In Measurement”

In a report filed February 28 with the Postal Regulatory Commission, the Postal Service detailed the volume of mail in each market-dominant class that was “in measurement,” i.e., for which service performance could be measured and reported. Notably absent was data specific to origin-entered Marketing Mail and Periodicals. Periodic

USPS press releases claiming high service performance fail to explain that significant volume is excluded from the measurement process for any of a variety of reasons. Consequently, reported service does not reflect the entirety of mail in a class or category, and service likely is poorer than for the “best” mail that was “in measurement.”

Class	FY2022 PQ I Pieces in Measurement											
	Total Number of Pieces (“—” = “Unable to Collect”)											
	(1) Total Pieces (RPW-ODIS (estimated))	(2) Total Pieces In Measurement	% (2)/(1)	(3) Total Pieces Eligible for Full-Service IMb (estimated)	(4) Total Full-Service IMb Pieces	% (4)/(3)	(5) Full-Service IMb Pieces Included in Measurement	% (5)/(4)	(6) Full-Service IMb Pieces Excluded from Measurement	% (6)/(4)	(7) Total Pieces Not in Measurement	% (7)/(1)
Total First Class Mail	9,167,232,791	5,486,544,847	59.85%	8,731,049,499	8,378,236,944	95.96%	5,486,544,847	65.49%	2,891,692,098	34.51%	3,680,687,945	40.15%
<i>Presort Letters/Postcards</i>	9,008,446,179	5,395,861,381	59.90%	8,578,381,475	8,239,375,284	96.05%	5,395,861,381	65.49%	2,843,513,903	34.51%	3,612,584,798	40.10%
Overnight	1,055,918,370	522,181,755	49.45%	--	--	--	522,181,755	--	--	--	533,736,615	50.55%
Two-Day	900,687,049	591,931,045	65.72%	--	--	--	591,931,045	--	--	--	308,756,004	34.28%
Three-Day	3,662,716,287	2,224,172,341	60.72%	--	--	--	2,224,172,341	--	--	--	1,438,543,946	39.28%
Four-Day	2,402,438,459	1,335,710,322	55.60%	--	--	--	1,335,710,322	--	--	--	1,066,728,137	44.40%
Five-Day	986,686,014	721,865,918	73.16%	--	--	--	721,865,918	--	--	--	264,820,096	26.84%
<i>Presort Flats</i>	158,786,612	90,683,466	57.11%	152,668,024	138,861,660	90.96%	90,683,466	65.30%	48,178,195	34.70%	68,103,147	42.89%
Overnight	10,981,152	5,598,259	50.98%	--	--	--	5,598,259	--	--	--	5,382,893	49.02%
Two-Day	17,042,579	9,265,195	54.36%	--	--	--	9,265,195	--	--	--	7,777,384	45.64%
Three-Day	66,014,647	35,702,847	54.08%	--	--	--	35,702,847	--	--	--	30,311,800	45.92%
Four-Day	45,519,187	28,835,488	63.35%	--	--	--	28,835,488	--	--	--	16,683,699	36.65%
Five-Day	19,229,047	11,281,677	58.67%	--	--	--	11,281,677	--	--	--	7,947,370	41.33%
Total USPS Marketing Mail	18,804,329,959	13,537,228,165	71.99%	16,321,011,450	16,026,082,230	98.19%	12,914,336,044	80.58%	3,111,746,186	19.42%	5,267,101,794	28.01%
<i>HD/Saturation Letters</i>	1,516,972,337	1,261,500,032	83.16%	1,613,321,283	1,561,272,137	96.77%	1,261,500,032	80.80%	299,772,105	19.20%	255,472,305	16.84%
Dest Entry 2-Day	0	0	--	--	--	--	0	0.00%	--	--	0	--
Dest Entry 3-5-Day	1,370,444,438	1,117,335,509	81.53%	--	--	--	1,117,335,509	--	--	--	253,108,929	18.47%
Dest Entry 5-Day/Above	73,808,744	71,619,890	97.03%	--	--	--	71,619,890	--	--	--	2,188,854	2.97%
End-to-End 3-5-Day	--	45,446,673	--	--	--	--	45,446,673	--	--	--	--	--
End-to-End 6-10-Day	--	24,368,383	--	--	--	--	24,368,383	--	--	--	--	--
End-to-End 11-Day/Above	--	2,729,577	--	--	--	--	2,729,577	--	--	--	--	--
<i>HD/Saturation Flats/Parcels</i>	2,419,784,335	705,667,008	29.16%	490,005,677	436,156,026	89.01%	154,799,082	35.49%	281,356,944	64.51%	1,714,117,327	70.84%
Dest Entry 2-Day	1,304,364,196	550,867,926	42.23%	--	--	--	0	0.00%	--	--	753,496,270	57.77%
Dest Entry 3-5-Day	1,041,863,764	143,588,841	13.78%	--	--	--	143,588,841	--	--	--	898,274,923	86.22%
Dest Entry 5-Day/Above	25,567,517	5,107,493	19.98%	--	--	--	5,107,493	--	--	--	20,460,024	80.02%
End-to-End 3-5-Day	--	4,751,778	--	--	--	--	4,751,778	--	--	--	--	--
End-to-End 6-10-Day	--	1,261,134	--	--	--	--	1,261,134	--	--	--	--	--
End-to-End 11-Day/Above	--	89,836	--	--	--	--	89,836	--	--	--	--	--
<i>Carrier Rte (Flats/Letters)</i>	1,525,897,228	1,130,582,997	74.09%	1,510,586,375	1,492,187,643	98.78%	1,130,582,997	75.77%	361,604,646	24.23%	395,314,231	25.91%
Dest Entry 2-Day	12,643,773	0	0.00%	--	--	--	0	0.00%	--	--	12,643,773	100.0%
Dest Entry 3-5-Day	1,365,352,222	998,523,799	73.13%	--	--	--	998,523,799	--	--	--	366,828,423	26.87%
Dest Entry 5-Day/Above	115,387,229	110,957,809	96.16%	--	--	--	110,957,809	--	--	--	4,429,420	3.84%
End-to-End 3-5-Day	--	13,013,114	--	--	--	--	13,013,114	--	--	--	--	--
End-to-End 6-10-Day	--	6,128,184	--	--	--	--	6,128,184	--	--	--	--	--
End-to-End 11-Day/Above	--	1,960,091	--	--	--	--	1,960,091	--	--	--	--	--
<i>Letters</i>	12,413,934,372	9,811,088,449	79.03%	11,953,138,048	11,808,622,718	--	9,811,088,449	83.08%	1,997,534,269	16.92%	2,602,845,923	20.97%
Dest Entry 2-Day	0	0	--	--	--	--	0	0.00%	--	--	0	--
Dest Entry 3-5-Day	9,124,572,684	7,291,082,807	79.91%	--	--	--	7,291,082,807	--	--	--	1,833,489,877	20.09%
Dest Entry 5-Day/Above	1,417,987,655	1,310,182,849	92.40%	--	--	--	1,310,182,849	--	--	--	107,804,806	7.60%
End-to-End 3-5-Day	--	411,669,063	--	--	--	--	411,669,063	--	--	--	--	--
End-to-End 6-10-Day	--	768,113,269	--	--	--	--	768,113,269	--	--	--	--	--
End-to-End 11-Day/Above	--	30,040,461	--	--	--	--	30,040,461	--	--	--	--	--
<i>Flats</i>	806,909,722	556,365,484	68.95%	753,960,067	727,843,706	96.54%	556,365,484	76.44%	171,478,222	23.56%	250,544,238	31.05%
Dest Entry 2-Day	0	0	--	--	--	--	0	0.00%	--	--	0	--
Dest Entry 3-5-Day	424,114,304	298,206,044	70.31%	--	--	--	298,206,044	--	--	--	125,908,260	29.69%
Dest Entry 5-Day/Above	152,495,782	141,006,420	92.47%	--	--	--	141,006,420	--	--	--	11,489,362	7.53%
End-to-End 3-5-Day	--	28,297,116	--	--	--	--	28,297,116	--	--	--	--	--
End-to-End 6-10-Day	--	86,608,660	--	--	--	--	86,608,660	--	--	--	--	--
End-to-End 11-Day/Above	--	2,247,244	--	--	--	--	2,247,244	--	--	--	--	--
<i>Every Door Direct Mail</i>	120,831,965	72,024,195	59.61%	0	0	0	0	0	0	0	48,807,770	40.39%
Two-Day	120,831,965	72,024,195	59.61%	0	0	0	0	0	0	0	48,807,770	40.39%
Total Periodicals	919,858,304	498,457,172	54.19%	853,516,104	700,718,965	82.10%	498,457,172	71.14%	202,261,793	28.86%	421,401,132	45.81%
<i>In-County</i>	107,804,678	12,214,607	11.33%	105,461,145	--	--	12,214,607	--	--	--	95,590,071	88.67%
Destination Entry	--	4,906,873	--	--	--	--	4,906,873	--	--	--	--	--
End-to-End	--	7,307,734	--	--	--	--	7,307,734	--	--	--	--	--
<i>Outside County</i>	812,053,626	486,242,565	59.88%	748,054,959	--	--	486,242,565	--	--	--	325,811,061	40.12%
Destination Entry	618,777,850	413,283,688	66.79%	--	--	--	413,283,688	--	--	--	205,494,162	33.21%
End-to-End	193,275,776	72,958,877	37.75%	--	--	--	72,958,877	--	--	--	120,316,899	62.25%
Total Package Services	48,291,603	8,233,000	17.05%	44,525,629	26,377,756	59.24%	8,233,000	31.21%	18,144,756	68.79%	40,058,603	82.95%
<i>Bound Printed Matter Flats</i>	48,291,603	8,233,000	17.05%	44,525,629	26,377,756	59.24%	8,233,000	31.21%	18,144,756	68.79%	40,058,603	82.95%
Destination Entry	45,211,853	7,763,151	17.17%	--	--	--	7,763,151	--	--	--	37,448,702	82.83%
End-to-End	3,079,750	469,849	15.26%	--	--	--	469,849	--	--	--	2,609,901	84.74%

Miscellany

NGDV developments

Because the USPS has affirmed its decision to buy a fleet of Next Generation Delivery Vehicles that's 90% conventionally-powered does not mean that everything about the procurement is settled.

For example, the decision by Oshkosh Corp., the contractor who'll build the NGDVs, to produce them in South Carolina continues to be opposed by the union representing workers at its home facility in Wisconsin. As reported by Milwaukee's *WUWM*, the United Auto Workers has held rallies in Oshkosh and organized meetings with politicians in an effort to pressure the company to reverse its decision. The company has said it would establish a technical support center for the project in Oshkosh, but that would produce only about 10% of the jobs that would be generated by building the NGDVs.

Meanwhile, as the US Senate entertained amendments to HR 3076, the "postal reform" bill passed by the House in early February, a proposal was submitted that would effectively require an all-electric NGDV fleet. Introduced March 3 by Sens. Sheldon Whitehouse (RI), Jeff Merkley (OR), Ed Markey (MA), and Ben Cardin (MD), SA 4973 would have stipulated that "The Postal Service may not acquire any vehicle that is not a zero-emission vehicle."

The measure was among a flurry of amendments that were proposed for HR 3076, some having little if anything to do with the USPS, but all were set aside before the final vote.

Labor update

Despite criticism from some members, 94% of the rank-and-file of the American Postal Workers Union ratified the union's new contract with the USPS. The union leadership eagerly pointed out that career members soon will receive a 1.3% raise retroactive to last November 21 and a \$1,310 cost-of-living increase effective February 26. The three-year contract is effective retroactively as of September 21, 2021.

Meanwhile, a February 22 decision by the US District Court of Appeals for the DC Circuit upheld an appeal by the National Association of Postal Supervisors, and remanded to a lower court its suit over whether the USPS is properly compensating non-bargaining employees in accordance with statute. NAPS had filed suit in district court claiming "that the Postal Service violated the [2006 'postal reform' law] by failing to provide a pay differential between clerks and carriers and the supervisors that manage them, and also failing to consider private sector compensation and benefits." NAPS also "challenged the Postal Service's refusal to consult with [it] regarding pay policies for [its] members who are postmasters or whom the Postal Service categorizes as 'Headquarters' and 'Area' employees."

The appeals court rejected the USPS position that "provisions in the [law] authorizing the adoption of pay packages merely state 'policy goals' that the agency 'should attempt to achieve,' not mandatory and enforceable directives."



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All the Official Stuff

Federal Register

Postal Service

NOTICES

March 3: Privacy Act; Systems of Records [2], 12500-12502, 12502-12503.

March 7: Product Change [3]: Priority Mail Express and Priority Mail Negotiated Service Agreement, 12743; Priority Mail and First-Class Package Service Negotiated Service Agreement, 12743; Priority Mail Negotiated Service Agreement, 12743.

PROPOSED RULES

March 8: Supplemental Standards of Ethical Conduct for Employees, 12888-12898.

FINAL RULES

March 2: Extended Mail Forwarding Service, 11587-11588.

Postal Regulatory Commission

NOTICES

March 3: Mail Classification Schedule, 12210-12211.

March 4: New Postal Products, 12499-12500.

March 7: New Postal Products, 12742-12743.

March 14: New Postal Products, 14303; Service Standard Changes, 14303-14304.

PROPOSED RULES

[None].

FINAL RULES

[None].

DMM Advisory

February 28: UPDATE 225: International Mail Service Updates Related to COVID-19.

March 1: UPDATE 226: International Mail Service Updates Related to COVID-19.

March 2: UPDATE 227: International Mail Service Updates Related to COVID-19.

March 2: International Service Resumption Notice, effective March 4, 2022.

March 4: UPDATE 228: International Mail Service Updates Related to COVID-19.

March 7: UPDATE 229: International Mail Service Updates Related to COVID-19.

March 9: International Service Suspension Notice, effective March 11, 2022.

March 9: International Service Resumption Notice, effective March 11, 2022 [2].

March 10: UPDATE 230: International Mail Service Updates Related to COVID-19.

Postal Bulletin (PB 22593, March 10)

- Effective **April 1**, Labeling Lists L006, L012, L201, and L606 are revised to reflect changes in mail processing operations. Mailers are expected to label according to these revised lists for mailings inducted on or after the April 1, 2022, effective date through the May 31, 2022, expiration date.
- Effective **April 4**, DMM 113, 123, 133, 153, 213, 223, and 253 are revised to correct the text for nonstandard fees as previously published. Although the Postal Service will not publish these revisions in the DMM until April 4, 2022, the standards are effective April 3, 2022, when the nonstandard fee takes effect.
- Effective **July 10**, DMM 507.2.0 is revised to add a new product offering that will allow customers to extend mail forwarding service. ... On February 14, 2022, the Postal Service filed a request with the Postal Regulatory Commission to make the Extended Mail Forwarding service market test a permanent offering. Documents pertinent to the request are available in Docket No. MC-2022-40. The Postal Service believes this new offering will provide customers with a service that will enhance their mailing experience. The standards are effective July 10, 2022.
- Effective **March 10**, the IMM Individual Country Listing for Germany is revised to reflect the following revisions: Add current value-added tax (VAT) requirements on imported goods; Add exemptions on items declared as gifts; Delete the invoice requirement for books.
- Effective **March 10**, IMM Exhibit 371.2 is revised to reflect current availability, as follows:
 - Regarding footnote 2, the USPS and the associated posts for those countries stopped selling international postal money orders effective October 1, 2021.
 - Regarding footnote 4, the USPS and the associated posts for Jamaica and Trinidad and Tobago no longer issue money orders, so this footnote is no longer relevant.
 - Regarding footnote 5, the USPS and the post for Trinidad and Tobago stopped selling international postal money orders effective January 1, 2022.

USPS Industry Alerts

February 28, 2022

Mail Spoken Here – February 2022 Edition – IE&O Newsletter

Please enjoy the attached latest edition of Mail Spoken Here. Our USPS Industry Engagement & Outreach newsletter contains informative and important articles on the following topics: New Vice President - Henry to Lead Central Area; Postal Service Expands Next-Day Delivery Options for Businesses with Rollout of USPS Connect; Together Again - National Postal Forum to be Held May 15-18; Election Mail Support - New Info for Public, Employees; Postal Reform - House Approves Bipartisan Bill; Delivering a Dream - Young Cancer Survivor made Honorary Carrier; Platinum Status - USPS Honored for Emissions Reporting; Mail Carriers Deliver Despite Freezing Temps; Winter Driving - Tips to Avoid Seasonal Accidents; New Stamps - Release Date, Location Updates; Interested in Joining MTAC?; Upcoming Events; A Look Ahead - Now for Some Interesting March Facts; *Federal Register* Notice Information; The Latest *Postal Bulletins*. Thank you and stay safe out there.

February 28, 2022

Streamlined Entry Automated Assessment Process

As a reminder, as part of the Streamlined Mail Entry Automated Assessment Process, mailers do have appeal rights; see *Full-Service Electronic Verification Automated Assessment Process Fact Sheet* on PostalPro (usps.com). The initial request to review should not be sent to the Pricing & Classification Service Center (PCSC). Any requests not following review process will be returned, delaying USPS response and resolution. If mailers do not agree with the resolution, they have the right to appeal the initial decision. The appeal request should not be sent to the Pricing & Classification Service Center (PCSC). The mailer must submit appeal documentation to the initial reviewer (district BME EAS) within 15 days of review resolution. Once the reviewer has escalated the incident along with documentation from the mailer, the PCSC then has 30 days to approve or reject the appeal. If the appeal is approved, the PCSC should provide comments to include exactly what errors are being removed from the assessment. The conclusion should reflect the total monetary reduction specifics and the total amount due, if any. If the appeal is denied, the mailer has 3 business days to pay the assessment. For additional information on the Streamlined Mail Entry Process, mailers may refer to Publication 685, <https://postalpro.usps.com/StreamlinedMailAcceptLettersFlatsPub685>.

March 4, 2022

Central Area AIM Virtual Meeting

You are cordially invited to attend the Central AIM Virtual Meeting on Tuesday, March 29, 2022, at 10:00 a.m. (CST). We have great speakers scheduled, featuring: Garrett Hoyt, Vice President, Technology Applications; Fontell Peart, Director, Operations Integration Support; and Judy de Torok, Vice President Corporate Affairs. You may use this link to register and join: https://gcc02.safelinks.protection.outlook.com/?url=https%3A%2F%2Fusps.zoomgov.com%2Fwebinar%2Fregist-ter%2FWN_gO2gte29SByvgNW9LwCazg&data=04%7C01%7CJames.E.Stotts%40usps.gov%7Ceb1a8dded53f47ace9ce08d9fe031701%7Cf9aa5788eb334a498ad076101910cac3%7C0%7C0%7C637820111484329251%7CUknown%7CTWFpbGZsb3d8eyJWoiMC4wLjAwMDAiLCJQI-joIv2luMzliLCJBTiI6lk1haWwiLCJXVCi6Mn0%3D%7C3000&sdata=aAW8iUdPaTqrLw0f93Ea75qOEb4T7TWH9hvdqCZqYjo%3D&reserved=0.

March 4, 2022

National Postal Forum Workshops Selected

Held since 1968, the NPF is the most comprehensive mailing and shipping conference nationwide, and attracts thousands of attendees from the mail supply chain. The conference provides opportunity for customers to learn about new shipping and mailing products and services, to interact with USPS leaders, and to view the latest postal-related equipment on the Exhibit Hall floor. More than 100 educational workshops will be offered in the following tracks:

1. **Delivering Innovative Technology** – Learn how technology is changing our industry and creating new opportunities
 2. **Operations: Fulfilling the Needs of Your Customers** – Effectively manage your mail and shipping operations and optimize your business relationship with the USPS
 3. **eCommerce: Steps to Shipping Success** – Navigate and reimagine the Evolving Shipping Landscape
 4. **Pushing the Envelope: Why Mail Works** – Direct mail is an important piece of your marketing strategy
 5. **Leadership & Professional Development: Characteristics of Success** – Build your teams, improve your skills, and grow your future
- Just a few of the workshops you can attend are:

- **Innovative Technology Driving the Future Postal Service**, showcasing how USPS is leveraging leading edge technology often in ways customers don't see, but from which they see results.
- **My Direct Mail Campaign Didn't Work**, join this session for myth-busters that uncover the real attribution of direct mail and breaks down all barriers to prove direct mail works.
- **Fulfillment Trends in 2022 and Beyond**, will explore the growth of fulfillment providers and trends to watch, including micro fulfillment, kitting/bundling, and local delivery/same day.
- **Customer Experience's Next Horizon: Human Experience**, will focus on mail and parcels elevating the "human experience" by creating and fostering more human connections in an overly digital world.
- **Where did My Customers Go Now**, as employees have transitioned to home offices, it leave many mailers wondering where is my customer physically located now, and how can I effectively message to them. You'll learn best practices in address quality to keep up with customers on the move.

A complete list of workshops will be available on the NPF website. To register, click this link: [NPF](#). If you need assistance with discount codes, please send an email to: NPFFeedback@usps.gov.

March 8, 2022

2022 National Postal Forum USPS Executive Leadership Team and Officer Presentations

Postmaster General (PMG) Louis DeJoy will give the keynote address at the 2022 National Postal Forum (NPF). Building upon his message of comprehensive strategies and key actions being taken to modernize the postal network, his executive leadership team will present more information about how the USPS is revitalizing the Nation's mail system. The executive sessions will take place Sunday, May 15 through Wednesday, May 18, 2022. See below for a full listing of the sessions. NPF is the premier shipping and mailing conference. Join us for four days of networking, educational workshops, certification courses, meetings, an exhibit hall, and more.

Executive Leadership Team / Officer Presentations*

- **Empowering our People: Realigning to Support USPS Mission**, presented by: Doug Tulino, Deputy Postmaster General and Chief Human Resources Officer; Isaac Cronkhite, Chief Logistics and Processing Operations Officer and Executive Vice President; Dr. Joshua Colin, Chief Retail and Delivery Officer and Executive Vice President
- **Modernizing USPS Network: Facility Investments & Operational Redesign for Service Improvement**, presented by: Scott Bombaugh, Chief Technology Officer and Executive Vice President; Luke Grossmann, Senior Vice President Finance and Strategy; Benjamin Kuo, Vice President Facilities
- **Transforming Transportation & Logistics: Paving the Way to Performance and Growth**, presented by: Isaac Cronkhite, Chief Logistics and Processing Operations Officer and Executive Vice President; Robert Cintron, Vice President Logistics; Peter Routsolias, Vice President Transportation Strategy
- **Impacts of Transformation: Better Structured to Match Service Performance with Customer Needs**, presented by: Dane Coleman, Vice President Regional Processing Operations Eastern; Angela Curtis, Vice President Delivery Operations; Tim Costello, Vice President Area Retail & Delivery Operations Southern
- **Data + Delivery = A Stronger Mail and Package Proposition for Customers**, presented by: Dr. Joshua Colin, Chief Retail and Delivery Officer and Executive Vice President; Jeff Johnson, Vice President Enterprise Analytics; Tom Foti, Vice President Product Solutions
- **USPS Connect: Solutions Reaching Every Door**, presented by: Jakki Krage Strako, Chief Commerce and Business Solutions Officer and Executive Vice President; Pritha Mehra, Chief Information Officer and Executive Vice President
- **USPS Connect Regional: A Case Study featuring USPS Covid Test Kit Fulfillment**, presented by: Scott Bombaugh, Chief Technology Officer and Executive Vice President; Pritha Mehra, Chief Information Officer and Executive Vice President; Marc McCrery, Vice President Customer Experience; Linda Malone, Vice President Engineering Systems
- **Sustaining our Future: Pricing & Product Strategies**, presented by: Joe Corbett, Chief Financial Officer and Executive Vice President; Sharon Owens, Vice President Pricing and Costing; Steve Monteith, Chief Customer and Marketing Officer and Executive Vice President
- **USPS Connect Local: Connecting Communities**, presented by: Shavon Keys, Vice President Sales; Sheila Holman, Vice President Marketing; Elvin Mercado, Vice President Retail and Post Office Operations

*subject to change. To register, click this link: [NPF](#). If you need assistance with discount codes, please send an email to: NPFFeedback@usps.gov. **Facing the Future Together** May 15-18, 2022 in Phoenix, Arizona.

March 8, 2022

New Acting Vice President Labor Relations

Effective immediately, Thomas J. Blum will serve as Acting Vice President, Labor Relations. Tom will report directly to the Deputy Postmaster General and Chief Human Resources Officer. He will direct the Postal Service’s Labor Relations activities to ensure our employee strategies are aligned with our Delivery for America Plan. Tom will be responsible for the implementation of Labor Relations policies, programs, and standards governing labor-management relations, equal employment opportunity compliance, bargaining and non-bargaining compensation and benefits, and workplace environment and employee assistance programs. In addition, Tom will lead contract negotiations and the pay constitution process with our unions and management associations. Tom began his Postal career in 1982, having held a variety of assignments in Labor Relations and Labor Law. His tenure includes more than 16 years as the Managing Counsel for the Southern Area Law Office in addition to numerous other positions where he gained valuable experience in all facets of the Labor Relations function. Tom earned his Juris Doctorate degree from Temple University School of Law and has received numerous merit awards throughout his career. He served honorably in the United States Air Force.

March 9, 2022

US Postal Service Applauds Senate Passage of Postal Service Reform Act

The US Postal Service congratulated the leadership and members of the US Senate for its bipartisan approval of the Postal Service Reform Act. The bill, which was approved by the House on Feb. 8, now goes to the White House to be signed into law by President Biden. “With the legislative financial reforms achieved today, combined with our own self-led operational reforms, we will be able to self-fund our operations and continue to deliver to 161 million addresses six days per-week for many decades to come,” said Postmaster General and CEO Louis DeJoy. “I thank the Senate and our Committee leadership that broke the 10-year logjam which has long constrained the finances of the Postal Service. The Postal Service serves every American every day and so it’s only right that our future is now collectively assured by members of all political parties.” As passed by the House and Senate, the key elements of the Postal Service Reform Act are that it eliminates the unfair, outdated, and burdensome retiree health benefit prefunding requirement, and it integrates our retiree health benefit program with Medicare in a manner that is fully consistent with private sector best practices. The bill also formalizes our obligation to deliver mail and packages six days per-week through an integrated delivery network, and includes accountability, transparency and reporting requirements. This legislation was an important component of the *Delivering for America 10-Year Strategic Plan*, which was announced in March 2021. Together with the operational reforms that are also a part of that Plan, the Postal Service will be able to achieve its two primary goals of financial sustainability and service excellence. Further information about the necessity and merits of this postal reform is contained in this factsheet: <https://about.usps.com/who/government-relations/assets/psra-postal-101-02282022.pdf>.

March 9, 2022

COVID-19 CONTINUITY OF OPERATIONS UPDATE – International Service Suspension Notice

[See the March 9 listing for COVID-19-Related International Mail Service Disruptions in the Special Section.]

March 9, 2022

COVID-19 CONTINUITY OF OPERATIONS UPDATE – International Service Resumption Notice

[See the March 9 listing for COVID-19-Related International Mail Service Disruptions in the Special Section.]

March 9, 2022

COVID-19 CONTINUITY OF OPERATIONS UPDATE – International Service Resumption Notice

[See the March 9 listing for COVID-19-Related International Mail Service Disruptions in the Special Section.]

March 11, 2022

[APRIL-PRICE CHANGE-2022] Release Overview – March 20, 2022

On Sunday, March 20, 2022, the United States Postal Service has scheduled software updates for the following Commercial Systems in preparation for April-Price Change-2022 (effective April 3, 2022): PostalOne System Release 54.1.0.0 *; Package Platform Release 4.0.0.0; Program Registration Release 23.2.0.0. * NOTE: PostalOne System Release 54.1.0.0 includes a new REQUIRED Mail.dat client. After implementation activities conclude, users should download Mail.dat client 54.1.0.0_PROD from the Business Customer Gateway (BCG) using the following path: Mailing Services → Electronic Data Exchange [Go to Service] → Mail.dat download (Windows 32-bit, Windows 64-bit or Solaris). Please reference the April-Price-Change 2022 Release Overview attached and also posted to PostalPro @ April 2022 Release Overview | PostalPro (usps.com). The Release Overview provides a detailed summary of all April-Price-Change-2022 release content. The March 20, 2022 Pre-Release Notes document is scheduled for posting next week. All Business Service Administrators (BSAs) should alert their impacted stakeholders. During normal business hours (7:00 AM CT – 7:00 PM CT), direct any inquiries or concerns to the Mailing and Shipping Solutions Center (MSSC) via eMail [MSSCAdmin@usps.gov] or telephone [(877) 672-0007].

Calendar

To register for any webinar, go to [MailersHubWebinars.com](https://www.mailershub.com/webinars)

March 15 – Mailers Hub Webinar

March 29 – Central Area AIM Meeting

April 5-6 – MTAC Meeting, USPS Headquarters

April 11-14 – INg Executive Networking Forum, Tucson (AZ)

April 14 – Atlantic Area AIM Meeting

April 19 – Mailers Hub Webinar

May 15-18 – National Postal Forum, Phoenix (AZ)

May 24 – Mailers Hub Webinar

June 12-16 – In-Plant Printing & Mailing Ass’n Conf., Buffalo (NY)

June 21 – Mailers Hub Webinar

July 12-13 – Delivery Technology Advocacy Council mtg., Sussex (WI)

July 19 – Atlantic Area AIM Meeting

July 26-27 – MTAC Meeting, USPS Headquarters

August 4-6 – MFSA Conference, Dallas (TX)

August 16 – Southern Area AIM Meeting

August 24 – Central Area AIM Meeting

October 20 – Atlantic Area AIM Meeting

October 25-26 – MTAC Meeting, USPS Headquarters

Special Section: DMM Advisories and USPS Industry Alerts Related to COVID-19

These service disruptions affect Priority Mail Express International (PMEI), Priority Mail International (PMI), First-Class Mail International (FCMI), First-Class Package International Service (FCPIS), International Priority Airmail (IPA), International Surface Air Lift (ISAL), and M-Bag items. Unless otherwise noted, service suspensions to a particular country do not affect delivery of military and diplomatic mail.

February 28, 2022, DMM Advisory: UPDATE 225: International Mail Service Updates Related to COVID-19

On February 28, 2022, VNPost, the designated operator of **Vietnam**, provided notification that its operations are currently disrupted due to a large number of employees having contracted COVID-19. VNPost will continue to provide postal services, but until further notice the processing and delivery of all types of inbound and outbound mail (letter-post, parcel-post and EMS items) will be impacted and VNPost will be unable to guarantee compliance with the published standards.

March 1, 2022, DMM Advisory: UPDATE 226: International Mail Service Updates Related to COVID-19

On March 1, 2022, the Postal Service received a notification from Österreichische Post AG, the designated operator of **Austria**, advising that the measures aimed at limiting the spread of COVID-19 have been lifted, and postal services have returned to normal.

March 2, 2022, DMM Advisory: UPDATE 227: International Mail Service Updates Related to COVID-19

On March 2, 2022, the Postal Service received a notification from PostNord Sverige, the designated operator of **Sweden**, advising that the measures aimed at limiting the transmission of COVID-19 have now been lifted.

March 2, 2022, DMM Advisory: International Service Resumption Notice – effective March 4, 2022

[Also issued as March 2, 2022, Industry Alert: COVID-19 CONTINUITY OF OPERATIONS UPDATE – International Service Resumption Notice]

Effective Friday, March 4, 2022, the Postal Service will resume acceptance of mail destined to the following: **Sierra Leone, French Guiana, Guadeloupe, Mayotte, Martinique, Reunion, and St. Pierre and Miquelon**. 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), International Priority Airmail (IPA), International Surface Air Lift (ISAL), and M-Bag items. The Postal Service is closely monitoring service impacts related to the COVID-19 pandemic and will continue to update customers until the situation returns to normal. 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.

March 4, 2022, DMM Advisory: UPDATE 228: International Mail Service Updates Related to COVID-19

On March 4, 2022, the Postal Service received notifications from various postal operators regarding changes in international mail services due to the novel coronavirus (COVID-19).

Portugal UPDATE: CTT Correios de Portugal has advised that the measures aimed at limiting the spread of COVID-19 have now been lifted and postal services are gradually returning to normal. The previously declared force majeure no longer applies.

Slovakia UPDATE: Slovenská Pošta has advised that the measures aimed at limiting the spread of COVID-19 have been lifted as of March 1, 2022, and postal services have returned to normal.

March 7, 2022, DMM Advisory: UPDATE 229: International Mail Service Updates Related to COVID-19

On March 7, 2022, the Postal Service received a notification from bpost, the designated postal operator of **Belgium**, advising that the measures aimed at limiting the spread of COVID-19 have been lifted, and postal services have returned to normal.

March 9, 2022, DMM Advisory: International Service Suspension Notice – effective March 11, 2022

[Also issued as March 9, 2022, Industry Alert: COVID-19 CONTINUITY OF OPERATIONS UPDATE – International Service Resumption Notice]

Effective March 11, 2022, the Postal Service will temporarily suspend international mail acceptance, until further notice, to the following country due to unavailable transportation as a result of widespread cancellations and restrictions into the area: **Russia**. This service disruption 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), International Priority Airmail (IPA), International Surface Air Lift (ISAL), and M-Bag items. For already deposited items Postal Service International Service Center (ISC) employees will endorse the items as “Mail Service Suspended – Return to Sender” and then place them in the mail stream for return. The detailed procedures to obtain refunds for Retail Postage, eVS, PC Postage, and BMEU entered mail can be found through the following link: <https://postalpro.usps.com/international-refunds>. The Postal Service is closely monitoring the situation and will continue to update customers until the situation returns to normal. 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.

March 9, 2022, DMM Advisory: International Service Resumption Notice – effective March 11, 2022

[Also issued as March 9, 2022, Industry Alert: COVID-19 CONTINUITY OF OPERATIONS UPDATE – International Service Resumption Notice]


Effective Friday, March 11, 2022, the Postal Service will resume acceptance of mail destined to the following: **Central African Republic; Liberia**. 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), International Priority Airmail (IPA), International Surface Air Lift (ISAL), and M-Bag items. The Postal Service is closely monitoring service impacts related to the COVID-19 pandemic and will continue to update customers until the situation returns to normal. 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.

March 9, 2022, DMM Advisory: International Service Resumption Notice – effective March 11, 2022
[Also issued as March 9, 2022, Industry Alert: COVID-19 CONTINUITY OF OPERATIONS UPDATE – International Service Resumption Notice]

Effective Friday, March 11, 2022, the Postal Service will resume acceptance of the following services destined to **Australia**: First-Class Package International Service (FCPIS); Commercial ePacket (CeP); International Priority Airmail (IPA) Packets; International Surface Air Lift (ISAL) Packets. This service resumption **only** affects the following mail classes: First-Class Package International Service (FCPIS), International Priority Airmail (IPA), International Surface Air Lift (ISAL), and Commercial ePacket (CeP) items. The suspension of the following services to Australia remains active until further notice: Priority Mail International (PMI) – suspended 9/17; Airmail M-bags – suspended 10/1; International Priority Airmail (IPA) M-bags – suspended 10/1; International Surface Air Lift (ISAL) M-bags – suspended 10/1. The Postal Service is closely monitoring service impacts related to the COVID-19 pandemic and will continue to update customers until the situation returns to normal. 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.

March 10, 2022, DMM Advisory: UPDATE 230: International Mail Service Updates Related to COVID-19

On March 10, 2022, the Postal Service received a notification from Suriname Postal Corporation (SURPOST) advising that the measures aimed at limiting the spread of COVID-19 have been lifted by the Government of **Suriname**, and postal services have returned to normal.

	<p>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, ssstitham@brannlaw.com; Jamie Szal, jszal@brannlaw.com. They can also be reached by phone at (207) 786-3566.</p>
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