



Biweekly Postal/Paper/Logistics Update

October 7, 2021

We've seen Congressional interest in asking the PRC to take another look at new postage rates due to recent improvements in USPS finances. This week the Paper market experienced some of the changes we anticipated in our recent monthly report. The Logistics network is still facing capacity issues and higher rates heading into the busy season.

Quad is a significant mailing industry partner, printer and transportation services provider — we're uniquely positioned to provide accurate information on topics related to postal, paper and logistics. Our goal is to provide clarity and share best practices so our clients can more confidently address the latest developments. These are especially challenging times for our industry. Contact your Quad representative if you have any questions or concerns — they'll ask our in-house experts to investigate and provide answers to all.

Here are key developments since our last update:

POSTAL

Congressional legislation

Congress continues to work on the appropriations bills and funding the government long term. We have been meeting with various members of Congress, finding interest among legislators to send rates back to the PRC for a second review in light of the Postal Service's improved financial outlook. The industry is working with the Senate Appropriations Committee to insert this second review into the appropriations bills that are currently being considered by Congress.

This second review would ensure that the rates the USPS has authority to set takes into account the recent changes that have benefited the USPS — Congress has provided \$10 billion in COVID relief. Additionally, the Postal Service's finances are in a better position today than when the PRC last reviewed the rate structure due to the increase in parcel deliveries. Lastly, once Congress enacts the postal reform legislation, \$44 billion will be removed from the USPS's balance sheet. All of these factors will certainly alleviate, in part, the need for such high rate increases.

Right now, all mailers can assist with advancing legislation to curb postage increases. The more Congress hears about troubling aspects of the USPS's plan, the more likely they are to push hard for changes with the Postmaster General and the Board of Governors. **Please consider taking a few minutes to [fill out a short form on this page](#), which will automatically message your Members of Congress. Or you can text MAIL to 52886.** The process is a simple, extremely effective and efficient way to let Congress know your thoughts and tell your story about how important an affordable USPS is to you.

The time is now to let Congress know that you support requiring the PRC to take another look at the rates and the improved financial position of the Postal Service. Congress can help our industry and the over 7 million jobs we support. The more Congress hears from those in our industry the more likely we will be successful in getting the PRC to review these new higher rates. If you do contact your representatives, please make sure Quad is aware of your support for this legislation.

Mail Transport Equipment (MTE) shortages

MTE shortages continue in the Midwest, though Quad is staying on top of our needs through constant attention to inventory. We continue to work closely with USPS representatives to make sure we don't run critically low, as other companies appear to be struggling.

USPS leadership changes

The Postal Service named Marc D. McCreary as its new Vice President of Customer Experience, effective immediately. Garrett Hoyt will serve as the Acting Vice President of Technology Applications following years of successful leadership in USPS technical transformation. Quad is familiar with Marc and Garrett, having worked with them extensively in their previous positions. We congratulate them and have high confidence that they will have a positive impact in their new roles. We look forward to the continued collaboration we have had with both of them as the USPS Delivery for America plan moves from concept to implementation.

USPS delivery performance

Letters continue to move through the USPS well, with over 90% of the mail scanned by Day 3 after receipt. Flats continue to move at about the same pace that they did over the summer. We are not seeing any significant decrease in USPS performance yet this fall season, but expect to as we move into October. Usually the week of Columbus Day and the last week of the month show drops in service performance related to higher volumes.

First Class mail has continued to average 80-90% in-home by Day 3 after Quad drops the mail into the USPS. The new Service Standards went into effect October 1 — we will monitor closely for any additional slowing. National mailers should not expect to see big changes in actual performance, but mail bound for the farthest locations could deliver 1-2 days later than in the past. We believe most of the operational changes that led to the Service Standard change occurred months ago and that service will continue at the level we have been seeing. The USPS will simply report that they are hitting their Standards to a higher degree now.

Supply chain challenges and logistics challenges are impacting our ability to deliver mail to the USPS as scheduled. We continue to do everything commercially reasonable to meet our clients' targets, but anticipate some will be impacted due to circumstances beyond our control.

USPS volume

Mail volume for the week ending September 25, compared to 2020

Total Mail Volume: **▲ 2.5%**

Packages: **▼ 6.4%**

Single Piece: **▼ 12.1%**

Presort First Class: **▼ 1.4%**

Marketing Mail: **▼ 6.6%**

Periodicals: **▼ 10.7%**

*Note that we have not received clarification as to why all product categories are down but the total is up

PAPER

Paper Market

Quad published our full monthly Paper Market Update on September 24 — we've seen what was anticipated in that update hold true over the past two weeks.

- Prices increased as announced on October 1 for all coated and uncoated grades of paper.
- During this peak print season, paper producers for most grades are sold out, and are turning back orders that are not in line with their forecasts.
- Lack of available containers, trucks/drivers and railcars are causing delays in the supply chain.
- As announced in April, Stora Enso has ceased production this week at its Veitsiluoto and Kvarnsveden mills in Finland. This eliminates 1.5 million tons per year of printing grade paper capacity in Europe.

LOGISTICS

Logistics Network

The US logistics network is still experiencing a stressed supply chain, especially in the LTL space where we continue to see delays of 3 days longer than the published transit times, and a larger number of mis-routed product by these Carriers. They're encountering the same challenges as the rest of the US economy with reduced labor and inexperienced employees.

The truckload market is currently holding up but struggling to handle capacity with more demand than supply. Rates remain high, especially for product that is to be handled on weekends. Rail is also a continuing challenge, as it has been all year. The areas impacted change weekly, which makes it difficult to determine the best shipping method at any time. Carrier rates rose the last week of August and prior to Labor Day weekend due to capacity issues. Rates have remained high since that challenging holiday weekend.

We remain concerned that it will become more difficult to find capacity, and or rates will continue to climb as fall freight volumes increase. Your Quad representative will always work diligently to find you the lowest rates with the most efficient transportation available.

See how we can help.

     866.824.2869  info@quad.com  Quad.com

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