



Biweekly Postal/Paper/Logistics Update

March 10, 2022

The Senate passed the Postal Reform Act with bipartisan support, clearing the way for the biggest overhaul of USPS in more than a decade. Delivery performance has improved slightly. January mail volume and revenues rose. Paper shortages continue to plague the industry and the freight market remains problematic.

Quad is a significant mailing industry partner, printer and transportation services provider, uniquely positioned to share accurate information on topics related to postal, paper and logistics. Our goal is to give 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 share answers for all.

Here are key developments since our last update:

POSTAL

Postal Reform Act passes Congress, heads to President's desk

The U.S. Senate voted 79-19 this week to pass [a comprehensive overhaul](#) of the USPS designed to restore its financial solvency and address pandemic-era mail delays. The Postal Reform Act of 2022, which the House passed with broad bipartisan support last month, now goes to President Biden for his signature.

Its passage is a significant step forward in addressing financial challenges that began in 2006 when Congress passed a law requiring USPS to pre-fund retirees' health benefits. That requirement drained huge sums from the service's operating income, hampering investments in operational efficiency and leading to price hikes affecting both individual and commercial mail.

The new legislation requires postal workers to enroll in Medicare Part B and D when they retire and allows USPS to fund retiree health benefits annually — the normal pay-as-you-go system. This measure alone is expected to save USPS \$50 billion over the next 10 years.

This provision also eliminates the nearly \$57 billion in debt from previous pre-funding payments that were not made, which has tied up the balance sheet and hurt the USPS' ability to modernize.

Other provisions in the bill include mandating a delivery standard of at least six days a week, codifying current practice into law. And it allows local post offices to offer non-postal services like hunting and fishing licenses and department of motor vehicle services on behalf of local, state and tribal governments.

In addition, the bill requires regular reports to Congress about the agency's financial state, expands special rates for local newspaper distribution, and calls for creation of a delivery data "dashboard" that customers can search using a street address, zip code or P.O. box.

USPS reports revenue and mail volume growth in January

USPS reported strong results for January as a recovering economy stoked revenue growth of 4.6% compared to January 2021, and total mail volume grew 2.4%, according to the preliminary unaudited [financial filing](#). (January 2022 had the same number of delivery days and one more retail day than January 2021.)

Marketing mail was the month's bright spot, with volume up 9.5% and revenues 17.4% higher. Other market-dominant categories were more mixed:

- First class volume dipped 1.5% but revenues rose 5.2%
- Package volume dropped 10.1% while revenues edged up 2.0%
- Periodicals volume plunged 23.3% and revenues fell 13.5%

Total market-dominant volume for the month rose 2.9% and revenues climbed 8%, thanks largely to higher rates. Both volume and revenues from competitive products fell, 3.6% and 1.9%, respectively.

Overall, USPS reported a loss of \$118 million for January 2022, much better than the \$709 million planned loss, and the \$310 million lost in January 2021.

USPS delivery performance

Letter mail has been moving through the USPS quickly the last few weeks. Flat mail is moving at a fair pace, with some facilities struggling one week, then others the next. Springfield, Mo. continues to be a concern. This facility has been delayed for 18 weeks.

Weather impacted performance throughout February, affecting transportation to the USPS. Almost every week there was a significant storm bringing ice, snow and high winds to states from Texas to Maine. As we transition to Spring, weather should no longer create transportation issues.

First Class mail remains the main concern currently. On average, 93% is in-home by Day 5. This is the date 100% of the mail should be in-home. The last 7% of mail is trickling in over 7 days, which means some First Class mail is getting in-home almost two weeks after it enters the USPS. This is unacceptable. We continue to make the USPS aware of this issue and try to identify the specific facilities that are delayed.

USPS volume

Mail volume for week ending February 26, compared to last year:

Total Mail Volume: ▼ 3%
First Class: ▼ 19%
Presort First Class: ▼ 7.4%
Marketing Mail: ▲ 0.7%
Periodicals: ▲ 6.7%
Packages: ▼ 8.8%

Mail volume for the week ending February 19:

Total Mail Volume: ▲ 32.5%
First Class: ▲ 16.9%
Presort First Class: ▲ 22.4%
Marketing Mail: ▲ 17.4%
Periodicals: ▲ 16.6%
Packages: ▲ 29%

Mail volume for week ending February 12:

Total Mail Volume: ▲ 6.6%
First Class: ▼ 2.9%
Presort First Class: ▲ 9.6%
Marketing Mail: ▲ 12.2%
Periodicals: ▼ 1.6%
Packages: ▲ 5.1%

Note: In 2021 President's Day was on the 15th, so 2021 statistics are inflated.

Miscellaneous updates

- Planning for the **National Postal Forum** as a live event in Phoenix May 15 to 18 is proceeding.
- The USPS has announced it will host the **next quarterly MTAC meeting** as an in-person event at USPS Headquarters (with a virtual option) on April 5th & 6th.
- The **international embargo** has increased to 31 countries; Russia and Ukraine were added this week.
- USPS opened **priority mail international for New Zealand**.
- Mailers are experiencing a **card stock shortage**. The USPS will pull this topic in to the reboot of MTAC Work Group 188, where possible paper stock alternatives will be discussed.
- USPS started its **state-by-state Connect Local rollout** in New Jersey and New York in late February. Pennsylvania, Delaware and Maryland are next. Rollout nationwide is expected to be complete by the end of September 2022.

PAPER

- The UPM Paperworkers' Union in Finland announced a continuation of its strike until April 2, unless agreements are reached before that. This continues to have a major impact on worldwide supply shortages of coated and uncoated SC grades of printing paper.
- Paper mills have issued letters describing their ongoing logistics and transportation issues. These include COVID-related absenteeism; a shortage of drivers, dispatchers, and rail crews; weather-related delays; shortages of equipment such as trucks, IM containers and railcars; and delays in delivery of raw materials to mills. All of these impact production and timing.
- Mill operating rates (shipments/capacity) remain high, above 90%. Production issues experienced at several paper mills have reduced available production capacity, which translates to 100% operating rates for most paper grades.

LOGISTICS

LTL performance remains a problem. Rail continues to have some improvements at times, but then also other areas that are overloaded with volume, causing delays, so no real change from previous weeks.

Things seemed to have quieted down in Canada, but performance and rates are still the same and we continue to see very high rates and slower service. In the U.S., a trucker convoy inspired by the Canadian protest [circled Washington, D.C.](#) on the Beltway earlier this week, but reports said that it didn't lead to transportation delays. So far truckload rates/capacity remain flat.

The biggest issue complicating the freight picture is the skyrocketing price of diesel fuel, which affects both trucks and railroad diesel engines. The national average price of diesel [rose 74 cents](#), an 18% increase in just one week. That's faster than the price of gasoline is rising.

As always, your Quad representative will work diligently to find you the lowest rates with the most efficient transportation available.

See how we can help.

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