



# Monthly Postal/Paper/Logistics Update

July, 2022

PMG Louis DeJoy reveals key elements of the USPS' new network plan. Consolidation of the paper industry continues, along with higher prices, and labor disputes threaten to re-snarl logistics. Keep reading for more details and key developments since our last update.

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.

## POSTAL

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The USPS has begun to share specifics about its future network plans. In a [video message](#) to employees earlier this month, PMG Louis DeJoy said his Delivering for America plan required "making significant improvements to our delivery network as well as in our transportation and execution strategies."

He went on to detail six key elements of that initiative, which involves closing a range of local and regional facilities and replacing them with mega centers that can process, sort and send mail out for delivery under one roof.

This is how PMG DeJoy described the elements:

1. The USPS will build or designate facilities of significant size to support a **network of at least 60 new regional processing and distribution centers** to accommodate the national movement of mail and packages. This will reduce redundant operations and transportation across the nation, saving time and money.
  2. **Investing in most of the USPS processing facilities** across the nation to improve the working environment and enable them to conform to new operating standards.
  3. **Eliminating "ad hoc" facilities** across our nation, put in place to provide capacity "without any clear strategy for long-term effectiveness and cost efficiency."
  4. **Repurposing and equipping previously vacated facilities** to accommodate large and modernized delivery units to deliver mail more efficiently and effectively while positioning the USPS to gain market share in the package delivery business, a priority of the postmaster general since he took the job.
  5. **Creating large delivery units** in mail processing facilities to reduce the time and cost of transportation, and provide better work environments for employees.
  6. **Committing to a nationwide operating strategy** with standard and measured operating practices in processing, transportation and delivery. This will assure the USPS' cost effectiveness, service responsiveness and revenue growth, ensuring the Postal Service sustainability.
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Building the new centers will take several years to implement and reflect PMG DeJoy's promise to invest \$40 billion in capital improvement projects.

Plans for the new or refurbished regional centers are already underway, according to an [article](#) in *Government Executive* magazine. Initial "major initiatives" will begin in the Atlanta, Indianapolis and Charlotte areas this year.

The goal of the new super centers is to bring all processing operations in a given metro area into one building. Some metro areas currently have up to eight processing plants with 80 delivery units — the final sorting location where carriers pick up mail and packages for home delivery — that require hundreds of trips to move the mail between them. Postal management has said it can eliminate these redundancies.

### **L006 retiring**

The USPS announced the retirement of L006, the labeling list for the flats sequence sorter (FSS). This will apply to FSS Scheme bundles, FSS Scheme pallets and FSS Facility pallets. With the retirement, entries will be deleted and will end with the grace date of Sept 1, 2022. Entries on the L006 will be added to the L007. These changes take effect Aug. 1, 2022.

FSS Scheme bundles and pallets will go away, and be prepared as Carrier Route and 5-digit/scheme bundles will now be put onto 5-digit/scheme pallets (which is how all ZIP codes currently not being sorted on a FSS machine are prepared.)

Quad continues to work through the details of these changes with the USPS.

With the elimination of FSS Scheme bundles, mailing jobs will see an increased number of bundles created for a job. For periodicals, this will mean an increased number of bundle charges for postage calculation.

### **USPS delivery performance**

The USPS has been performing well over the last two months. Volume is down and the U.S. transportation network is not as stressed. We expect this to continue through at least mid-August and, hopefully, until Labor Day. However, mail volume will start to increase by late August as fourth quarter retail promotions and holiday-related mailing kick off. Volume is usually the main reason for the USPS' delivery struggles.

### **Informed delivery webinar**

Another reminder that the USPS Informed Delivery promotion runs from 8/1-12/31, and that most First Class and Marketing Mail qualify for a **4% discount**.

Quad created a webinar to help mailers understand and take advantage of this promotion. It explains the Informed Delivery program, covers the promotion's requirements, and provides options for managing the program. On-demand access to the webinar is available [here](#).

If you would like to discuss this promotion in more detail, please contact your Quad sales representative to set up a meeting.

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## USPS volume

Mail volume for the week ending July 9 compared to last year:

*Total Mail Volume:* ▼ 4.9%  
*Packages:* ▼ 0.2%  
*Single Piece:* ▼ 4.5%  
*Presort First Class:* ▼ 3.1%  
*Marketing Mail:* ▲ 22.5%  
*Periodicals:* ▼ 30.4%

Mail volume for the week ending June 25:

*Total Mail Volume:* ▼ 9.5%  
*Packages:* ▼ 8.7%  
*Single Piece:* ▼ 12.1%  
*Presort First Class:* ▼ 4.9%  
*Marketing Mail:* ▼ 0.1%  
*Periodicals:* ▲ 3.5%  
*Flats:* ▼ 1.7%

Miscellaneous updates

- International – New Zealand has had all embargoes lifted.
- USPS filed with the PRC on July 13 to combine First-Class shipping options. USPS Retail Ground and Parcel Select Ground will be incorporated into one enhanced First-Class Package Service product. The planned implementation date is January 8, 2023, but is dependent upon PRC approval.
- The USPS published the January 2023 Release Overview. It contains planned changes for the January 2023 pricing structure release. Significant items include network redesign and classification updates. For Market Dominant products it includes additional promotions for Marketing Mail Flats prepared on LPC (new designation for SCF) pallets regardless of entry point. There are also many changes for Competitive Products. The document can be found here: <https://postalpro.usps.com/mnt/glusterfs/2022-07/January-2023-Release-Overview-V7.1.pdf>
- Postal rate increases went into effect July 10, and many expect mail volumes will be impacted immediately.

Mail volume for the week ending July 2:

*Total Mail Volume:* ▼ 3.3%  
*Packages:* ▲ 2.3%  
*Single Piece:* ▼ 8.3%  
*Presort First Class:* ▼ 4.2%  
*Marketing Mail:* ▼ 4.2%  
*Periodicals:* ▼ 23.4%

Mail volume for the week ending June 18:

*Total Mail Volume:* ▼ 4.9%  
*Packages:* ▲ 2.0%  
*Single Piece:* ▼ 6.0%  
*Presort First Class:* ▼ 5.3%  
*Marketing Mail:* ▼ 7.4%  
*Periodicals:* ▼ 0.9%

## PAPER

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The consolidation of the paper production industry continues.

- The Paper Excellence Group, through its wholly owned subsidiary Domtar Corp., a global diversified manufacturer of pulp and specialty, printing, writing and packaging papers, and Resolute Forest Products Inc., a global forest products company, have entered into an agreement under which Domtar will acquire all the outstanding

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common shares of Resolute stock. This acquisition will allow the Paper Excellence Group to further expand its portfolio in North America following the successful acquisition of Domtar last year and the acquisition of Catalyst Paper in March 2019. Resolute will become a wholly owned subsidiary of Domtar, under the auspices of the Group, and continue to operate on a business-as-usual basis under the Resolute name. The transaction is expected to close as soon as possible following stockholder and regulatory approvals and satisfaction of other customary closing conditions. Completion of the deal is expected in the first half of 2023.

- UPM has signed an agreement to sell 100% of the shares of its Austrian subsidiary, UPM Kymmene-Austria GmbH, to the HEINZEL GROUP, a leading pulp, packaging and paper producer and trader in Central and Eastern Europe. The transaction comprises the UPM Steyrermühl site with approximately 400 employees, including a newsprint paper machine with an annual capacity of 320,000 tonnes, and the Steyrermühl sawmill operations, with an annual timber capacity of 370,000 cubic meters.

Prices for paper have continued to rise through July, and producers have announced price increases for newsprint, uncoated groundwood and super bright grades for August implementation.

## LOGISTICS

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The freight market has not changed much over the last month. While fuel prices have declined slightly, they are still very high. But the most concerning things on the horizon are potential labor issues that could disrupt logistics.

The contract between shipping companies and the International Longshore and Warehouse Union (ILWU), which principally represents 22,000 West Coast dockworkers, expired on July 1. Negotiations continue and both sides say they want to avoid a strike, but we are watching to see if it could result in work slowdowns or other disruptions. This likely would cause ships to start backing up at ports, causing delays in cargo unloading just as retailers are stocking up for the back-to-school and fall holidays seasons.

On the land-locked side, negotiations between the U.S. rail industry and the National Carriers' Conference Committee that represents the 12 rail unions are at a standstill. The unions have been trying to negotiate a new national agreement since their contract with the industry expired in January 2020. Sticking points included pay, health care concessions and on-board crew-size reductions.

The National Mediation Board attempted to mediate negotiations, but threw in the towel in mid-June. The two sides were in a 30-day cooling off period that ended July 18.

Currently there are discussions that a Presidential Emergency Board (PEB) will be brought in to resolve the differences, but there is concern that this could lead to a strike/slowdown affecting rail freight.

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

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See how we can help.

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