



# Monthly Postal/Paper/Logistics Update

June, 2022

Discussion and some confusion about postal rate hikes continue, while the USPS is already seeing concrete financial benefits from the Postal Service Reform Act of 2022. 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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### **Consumer Price Index still rising**

The Consumer Price Index for All Urban Consumers (CPI-U) increased 1.0% in May on a seasonally adjusted basis after rising 0.3% in April, the U.S. Bureau of Labor Statistics reported.

Over the last 12 months, the all-items CPI increased 8.6% before seasonal adjustment. The increase was broad-based, with the indexes for shelter, gasoline, and food being the largest contributors.

The rising CPI is a worrisome signal for future postal rate hikes. In 2021, the USPS filed notice with the Postal Regulatory Commission (PRC) that it planned to implement price increases twice a year (January and July) for market dominant mail.

Because 2022 is the first year that plan goes into effect, the increases coming this July include 11 months of CPI plus density and retirement adders, an additional 2% for underwater classes (such as Periodicals), and the required 2% for underwater products within a class (such as Marketing Mail Flats).

The January 2023 increase will include six months of CPI and the required 2% for underwater products within a class. Given the current rate of inflation, the USPS is providing guidance (predicting) available CPI for January 2023 of approximately 3.4% (plus the additional 2% for underwater products.)

Postmaster General Louis DeJoy has indicated the Postal Service intends to use its maximum rate authority through 2024.

### **A chance to respond to higher postal rates**

At the direction of the U.S. House of Representatives Appropriations Committee, the Postal Regulatory Commission has invited mailing industry stakeholders to provide feedback on the August 2021 rate hike (7%), and the expanded authority the PRC granted the Postal Service in November 2020 to raise rates.

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The Appropriations Committee said it was concerned with the size and timing of the August rate increase. It questioned whether the process the PRC went through under the Postal Accountability and Enhancement Act of 2006 (PAEA) took adequate account of the pandemic's impact on the Postal Service, such as higher package revenues and emergency funding it received.

It asked the PRC to study how these factors should impact the rate increases proposed by the USPS and the PRC pricing rules adopted in November 2021.

Industry stakeholders have until July 31 to comment on these issues. We anticipate some industry associations will use this opportunity to push back against twice-a-year market dominant rate hikes.

Send comments via email to [stakeholderinput@prc.gov](mailto:stakeholderinput@prc.gov) or by letter to the PRC at 901 New York Ave., N.W., Ste. 200, Washington, DC 20268.

The Appropriations Committee gave the PRC a total of 270 days to report back, a period that ends in late February 2023.

### **USPS posts positive April financial results**

The Postal Service Reform Act of 2022 (PRSA) immediately boosted USPS financials after it was signed into law April 6. In preliminary [unaudited results](#) for April 2022, the Postal Service reported net income of \$60.2 billion.

The Postal Service noted that was largely due to a one-time impact of the PRSA on expenses. The act reversed \$59.6 billion in costs for retiree health benefits that had been accrued but unpaid before the bill passed.

The USPS also posted better than expected revenue growth in April, with monthly revenues up 0.4 percent compared to plan. That was still down slightly (0.8%) vs. April 2021.

Despite continued growth in Marketing Mail volume — up 2.2% over April last year — total market dominant product volume fell 1.4%. That included a drop of almost 20% in Package services volume.

Despite that, market dominant revenues ended the month 3% ahead of last year, thanks to higher postal rates.

### **USPS delivery performance**

We are in the sweet spot of late spring/early summer when mail volume is low, easing transportation issues. The USPS is moving mail well. This is expected to last through most of the summer, with a slowdown in service as volumes increase in late summer and early fall.

One potential delivery issue from now through the fall is hurricane season (June 1-November 30.) If a storm may impact mail delivery or response, we will send out a separate alert with details.

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## Informed delivery webinar

The USPS Informed Delivery promotion is coming up soon. This year, the promotion runs from 8/1-12/31, and 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.

## USPS volume

Mail Volume for the week ending  
June 11 compared to last year:

*Total Mail Volume:* **▼ 1.7%**  
*Packages:* **▲ 0.3%**  
*Single Piece:* **▼ 4.8%**  
*Presort First Class:* **▼ 3.1%**  
*Marketing Mail:* **▼ 1.5%**  
*Periodicals:* **▲ 4.4%**

Mail Volume for the week ending  
May 28:

*Total Volume:* **▼ 0.3%**  
*Packages:* **▲ 2.3%**  
*Single Piece:* **▼ 9.4%**  
*Presort First Class:* **▼ 6.5%**  
*Marketing Mail:* **▲ 12.3%**  
*Periodicals:* **▼ 2.5%**

Mail volume for the week ending  
May 14:

*Total Mail Volume:* **▲ 1.5%**  
*Packages:* **▼ 7.4%**  
*Single Piece First-Class:* **▼ 7.6%**  
*Presort First-Class:* **▼ 7.5%**  
*Marketing Mail:* **▲ 10.4%**  
*Periodicals:* **▲ 6.1%**  
*Entered Commercial Letters:* **▲ 2.5%**  
*Entered Commercial Flats:* **▲ 8.5%**

Mail volume for the week ending  
June 4:

*Total Mail Volume:* **▼ 1.1%**  
*Packages:* **▼ 2.3%**  
*Single Piece:* **▼ 6.9%**  
*Presort First Class:* **▼ 10.3%**  
*Marketing Mail:* **▲ 4.2%**  
*Periodicals:* **▼ 19.3%**

Mail Volume for the week ending  
May 21:

*Total Volume:* **▲ 8.1%**  
*Packages:* **▼ 11.4%**  
*Single Piece:* **▼ 9.6%**  
*Presort First Class:* **▼ 6.5%**  
*Marketing Mail:* **▲ 8.1%**  
*Periodicals:* **▼ 11.4%**

Mail volume for week ending  
May 7:

*Total Mail Volume:* **▲ 0.5%**  
*Packages:* **▼ 6.1%**  
*Single Piece:* **▼ 5.5%**  
*Presort First Class:* **▼ 9.5%**  
*Marketing Mail:* **▲ 4.0%**  
*Periodicals:* **▼ 18.7%**

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## Miscellaneous updates

- Though PRC-approved rate hikes are scheduled to go into effect July 10, there will be a very tight window to test related changes before they go live. That's because the mailing industry is still working with the USPS to finalize details around some of the changes. This **has delayed the deployment of updated software** from presort providers. The industry is working with the USPS to try smooth out this process for future rate increases.
- New federal register requirements around the **separation of hazardous materials** (mainly lithium batteries) for anything transported by air went into effect earlier this month. They require manual separation and labeling as Haz Mat. The rules do not apply to DDU and DSCF entry or mail that flows full network via surface transportation for the USPS.
- USPS withdrew its proposed changes to **selvage requirements**, which would have had a significant impact on soft-pack mailer.

## PAPER

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Paper market conditions remain the same as in May, with tight supply and rising prices.

## LOGISTICS

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While high fuel prices continue to challenge the logistics network, there have been a few small positive changes.

Canada has improved slightly. In particular, the ability to find carriers for our volume is better, and there's been some stabilization in pricing. Delivery performance also has improved — not back to normal yet, but better.

Other conditions are similar to May. Production has ramped up and is producing products well and on time. The U.S. freight market is fairly stable.

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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