



Monthly Postal/Paper/Logistics Update

September 2022

The U.S. Postal Service is planning to roll out its first Sort and Delivery Center (SDC) in October. Another postal rate increase is looming. Hurricanes Fiona and Ian are impacting both U.S.P.S. service and freight deliveries/shipping in Puerto Rico and Florida. Keep reading for more details and key developments in the postal, paper and logistics sectors 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

The USPS continues to talk at a high level about future changes to its network, most recently during [National PCC Week](#), Sept. 19-23.

One aspect of the new network, Sort and Delivery Centers (SDC), is already being implemented. The SDCs will be used to consolidate carriers in metropolitan areas to reduce the amount of transportation from plants to delivery units. Athens, Ga. is scheduled to be the first SDC. The CSR ruling to support the Athens SDC rollout should be issued in the next couple of weeks. Details, like how the new 5-digit schemes will align with carriers, are still being ironed out. The kick-off has already been pushed back, to a target date of Oct. 22.

The plan is for this to be followed by the Brooklyn, N.Y. SDC, which is for Packages only. That rollout date is currently set for Nov. 26, the day after Black Friday.

Looking to the future, other Postal developments include a January 2023 rate increase, and new promotions for 2023. Quad will be sharing more information about the impacts of both of these next month. As we previously noted, the USPS is planning to implement the price change on Jan. 22, 2023 (instead of Jan. 8) for both competitive and market dominant mail.

The BOG is expected to vote on the January price increase for Market Dominant mail at its Oct. 4 meeting. Competitive mail increases would likely not be voted on until the November BOG meeting.

USPS delivery performance

USPS Performance has held steady this past month as we transition from summer to fall. Typically, we see some slowing the week after Labor Day and we did experience that again this year with Flat mail. Letter mail really has not slowed at all at this point.

As volume increases, we expect to see service performance suffer. Peak weeks are usually from mid-October to early December, with the first and last weeks of November the most impacted. We are seeing more facilities struggle with Flats volume, but there are no identifiable trends at this point.

Overall, we expect the USPS to perform about as it did last year, which was 'fair' — certainly significantly better than fall/holiday 2020 and about what we saw prior to the pandemic.

However, weather is having a big impact on the USPS in several regions. Hurricane Fiona impacted mail delivery in Puerto Rico significantly and will likely delay delivery in some areas for several weeks.

Hurricane Ian made landfall near Ft. Myers, Fla. on 9/28 as a Category 4 storm, bringing historic storm surge, heavy rain and wind. The storm moved over the state, causing flooding and power outages through the middle portion of the state. It may take weeks for power to be restored in some locations. As of this writing, SCF Ft. Myers remains closed, but all other mail processing facilities have reopened.

Quad has rescheduled many loads to deliver later than originally planned. Over 200 local delivery units curtailed delivery 9/28-9/29 and many will remain suspended for the next few days. We estimate that the USPS will start to deliver where they can by the end of the week or at least Monday, providing the option of pick-up if they are unable to get to a delivery location. Generally, the most impacted area is from Naples to Sarasota, then across the state to the Atlantic, including Orlando. Quad will continue to send special alerts as new information is available.

USPS volume

Mail volume compared to last year

For the week ending:	August 27	September 3	September 10
Total Mail Volume:	▼ 8.6%	▼ 6.6%	▼ 6.5%
Packages:	▼ 0.5%	▲ 1.1%	▼ 3.4%
Single Piece:	▼ 11.4%	▼ 10.3%	▼ 7.4%
Presort First Class:	▼ 7.5%	▼ 1.9%	▼ 2.1%
Marketing Mail:	▼ 22.9%	▲ 17.4%	▲ 5.5%
Periodicals:	▼ 37.7%	▼ 2.3%	▲ 30.5%

Miscellaneous updates

- The Week of Oct 17th is the PostCom Board meeting and DTAC Meeting.
- The Week of Oct 24th is MTAC.
- USPS will be filling soon for the Periodical CET change as far as timeline and next steps to keep that moving forward.
- The USPS is tracking election mail, but no answer on how much they are seeing.
- Peak calls will begin in early November. It's been requested that USPS consider starting those at the beginning of October.
- The White House has ended free COVID test kits. The USPS is still working to get previous orders fulfilled. It will be ramping down but not totally shutting down its test-mailing operations, pending decisions about whether the program will continue in some form.

PAPER

- Industry analysts are forecasting paper prices in North America will remain relatively flat in 2023, with slight declines for some grades (3% or less).
- In 2023, paper imports from Europe will continue to be impacted by the high costs of natural gas and electricity resulting from the war in the Ukraine. These high costs are expected to last for the next two years in Europe and could lead to further mill curtailments in that region.
- Based upon reductions in demand for paper, mill operating rates for 2023 are projected to be down by 5%, on average. This should lead to greater paper availability as compared to 2022.

LOGISTICS

- The freight market continues to perform well for Quad and our customers, though fuel costs remain high.
- The last-minute deal averting a rail strike earlier this month was a relief to everyone in the freight market. Quad had taken steps to mitigate the impact of a possible strike, moving volume off rail to other transportation modes where possible. We continue to monitor the situation. Workers across 12 unions must still vote to ratify the agreement. This includes a few unions that had previously opposed elements of the compromise. One union, the International Association of Machinists District Lodge 19, has rejected the agreement but is continuing to negotiate with the rail carriers. Two unions have voted to approve the agreement and nine are still reviewing the contract, including the two largest, the Brotherhood of Locomotive Engineers and Trainmen and the SMART-TD. A [21-day voting period](#) by those unions is expected to begin in mid-to-late October.
- Negotiations between shipping companies and the International Longshore and Warehouse Union (ILWU), which principally represents 22,000 West Coast dockworkers, continue. The contract expired July 1. Both sides say that they want to avoid a strike.
- While the full impact of Hurricane Ian on freight commerce to and from Florida isn't clear yet, the potential fallout could be high. We will keep customers updated on the status of their deliveries.

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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