

# ANALYSIS

## THE USPS'S ANNUAL RESULTS

WHAT THEY MEAN FOR PRINTERS

NOVEMBER 2022





contents

**Table of Contents**

Introduction ..... 2

The Postal Service Reform Act of 2022 ..... 2

Dealing with Revenue and Cost Issues ..... 2

The Status of the “Delivering for America” Plan ..... 3

    Overview ..... 3

    USPS Connect ..... 4

2023 Mail Promotion Programs ..... 5

2023 Package Pricing Increases ..... 5

Postmaster DeJoy and the Future of the USPS ..... 6

Opinion ..... 8

**List of Tables**

Table 1: Fiscal Year 2023 Service Performance (October 1-28) ..... 4



## Introduction

At the end of its fiscal year, the United States Postal Service (USPS) publishes its financial results and submits a report to Congress. These documents typically become available in the second week of November (the USPS's fiscal year ends on September 31st). They provide some insight into the USPS's direction and how the agency is handling First Class mail, marketing mail, periodicals, and package delivery. This document explores the USPS's most recent financials and offers some perspective on how this news affects printers of all sizes.

## The Postal Service Reform Act of 2022

The single biggest year-over-year improvement in the USPS's financial performance can be traced back to the [Postal Service Reform Act of 2022](#). This bill, which passed with bipartisan support and was signed into law by President Biden in April, addresses the USPS's finances and operations. From a financial perspective, the key item is that the bill repeals the requirement that the USPS annually prepay future retirement health benefits. This had an immediate and significant impact in that it provided a one-time, non-cash benefit of \$57 billion. The release from the requirement to prepay benefits has hung over the USPS for years and made it very difficult for the USPS to break even.

Two other items from the Postal Service Reform Act stand out as being important for printers and mailers:

- ◆ The USPS must develop and maintain a publicly available dashboard to track service performance and must report regularly on its operations and financial condition.
- ◆ The USPS must continue to provide delivery of mail six days a week.

## Dealing with Revenue and Cost Issues

Because of the one-time benefit from the Postal Service Reform Act, the USPS saw its net income soar to \$56 billion compared to a \$4.9 billion loss in the previous fiscal year. Also positive was a \$1.5 billion increase in income. At the same time, however, mail volumes are declining and inflation is having a big impact on the USPS's expenses, particularly for cost-of-living and fuel cost increases. Postmaster General Louis DeJoy had hoped that the USPS would hit a breakeven point in 2023, but he admitted that cost increases and other factors (particularly those related to the Civil Service Retirement System) would make that impossible. DeJoy is hoping for a future "administrative correction" for the retirement costs, which account for close to \$3 billion in the coming year's budget.

Every USPS press release includes the following line:

*The Postal Service generally receives no tax dollars for operating expenses and relies on the sale of postage, products, and services to fund its operations.*



This serves as a reminder to the public that while postal delivery is a service that the government provides to its citizens, it is not free of charge. Although the government expects the Postal Service to be self-supporting, that same government has not always made it easy for the Postal Service to do so. The Postal Service Reform Act of 2022 is a sign that the government is trying to make the goal of a break-even Postal Service more achievable. Some administrative issues have yet to be solved and there are other headwinds for the USPS as well, including declining mail volumes, inflation, and the complexities involved in automating such an expansive operation.

## The Status of the “Delivering for America” Plan

### Overview

Reaching a budget break-even point is one goal of the “[Delivering for America](#)” plan, which was announced in March 2021. The plan contains a ten-year vision for transforming the USPS while achieving financial sustainability and providing excellent service and reliability. The plan as envisioned would reverse a projected \$160 billion in financial losses through a combination of legislative and administrative actions, one important aspect of which is implementation of improvements in mail processing, transportation, retail, delivery, and administrative operations. The plan also includes initiatives to grow revenue and introduce new products.

Perhaps the most visible (yet also controversial) aspect of the Delivering for America Plan is the work to consolidate and automate mail centers. The USPS reports that it has installed 131 of 137 new package sorting machines ahead of the holiday mailing and shipping season. It has recently installed new package sorting machines in Aurora, Illinois; Albany, New York; Flagstaff, Arizona; Freehold, New Jersey; and Hyattsville, Maryland. These installations bring the total of new processing machines to 249 since March of 2021 when the Delivering for America plan was launched. They are part of a \$40 billion investment. The USPS expects that this equipment, combined with increased operational precision, will expand the USPS's daily package processing capacity to 60 million.

In preparation for the upcoming holiday shipping and mailing season the USPS has been re-envisioning its workforce. Since January 2012, the USPS has converted 100,000 workers to full-time permanent work. It converted more than 41,000 part-time workers to full-time work since January 2022, and it has been actively hiring an additional 20,000 seasonal employees ahead of the holiday season.

DeJoy noted that the USPS must move mail and packages in an integrated network to deliver to 163 million delivery points six days a week while also covering its costs. Although mail volumes continue to decline at a rate of about 3% annually, that mission is becoming increasingly challenging—especially with over 1.7 million new addresses added last year.



DeJoy believes that his USPS does not have the integrated mail and package network that that would be required to meet its service and cost objectives.

One key goal of the Delivering for America Plan is to meet or exceed 95% on-time service performance for all of its mail and shipping products. The USPS fell short on that goal during the past quarter, as shown in the Table below.

**Table 1: Fiscal Year 2023 Service Performance (October 1-28)**

Product	On-Time Service Performance	Compared to Fiscal 4th Quarter
First-Class Mail	92.3%	0.9% decrease
Marketing Mail	94.2%	0.6% decrease
Periodicals	86.9%	Comparable

Source: USPS [press release](#) from November 3, 2022

### USPS Connect

Another part of the Delivering for America Plan is an improved processing and delivery network called USPS Connect that will include a suite of local, regional, national, and returns solutions:

- ◆ **USPS Connect National** – Affordable nationwide package delivery solutions for businesses and organizations of all sizes.
- ◆ **USPS Connect Regional** – Affordable next-day delivery within a broad geographic region.
- ◆ **USPS Connect Local** – Affordable local-to-local next-day package delivery, including same-day and Sunday delivery, plus package pickup options at many locations.
- ◆ **USPS Connect Local Mail** – Next-day delivery of legal and regular-sized documents at an affordable flat rate and same-day delivery in participating locations.
- ◆ **USPS Connect Returns** – A service to help businesses with their customers' returns, with free carrier pickup or drop off at one of 31,000 retail locations<sup>1</sup> across the country.

As part of its Delivering for America plan, the USPS intends to invest in its retail locations to “provide a world-class customer experience with improved retail training, modernized uniforms, refreshed lobbies, and expanded self-service and digital options.” As you consider what's happening regarding the consolidation of sites, it is worth keeping this USPS vision of its retail locations in mind because of what it will mean competitively versus other package delivery services.

<sup>1</sup> The USPS notes that it has 34,000 “retail locations” in the United States. This is presumably what you or I might consider to be a “post office,” but it would not include an administrative, production, or sorting facility without general access to the public.



## 2023 Mail Promotion Programs

There was no news from the USPS on any of its 2023 mail promotions programs. Over the past several years, there have been six such promotions:

- ◆ Tactile Sensory and Interactive Mailpiece Engagement
- ◆ Emerging and Advanced Technology
- ◆ Earned Value Reply Mail
- ◆ Personalized Color Transpromo
- ◆ Informed Delivery
- ◆ Mobile Shopping

As of the writing of this document, the USPS is still awaiting approval by the Postal Regulatory Commission (PRC) for three planned 2023 mail promotions:

- ◆ Emerging and Advanced Technology
- ◆ Tactile, Sensory, and Interactives
- ◆ Personalized Color Transpromo

For details on these and any other planned promotions, check the [USPS promotions page](#) for updates. The USPS was not accepting submissions for 2023 Promotions as of mid-November 2023.

There is some news, however. The USPS's New Solutions team has recently launched a [Mailing Promotions Portal](#) designed to be an effective interface for participation in the USPS's discount and incentives program for First-Class and Marketing Mail customers. USPS customers will use the portal to submit mailpiece samples and ask questions about the promotions. Participation in the new portal requires a Business Customer Gateway account. Once you sign up, you can expect an approval e-mail within 48 hours that includes instructions on how to finalize your enrollment.

## 2023 Package Pricing Increases

The USPS announced some shipping rate increases while stating that it offers some of the lowest shipping rates in the mailing industry and is able to reach the more than 163 million delivery points across America. No price increases were in store for Parcel Select Ground (whose service standard has been improved to 2-5 days from 2-8 days) and USPS Connect Local (touted as an affordable option to give businesses of all sizes the ability to reach local customers). There was even a pricing reduction for some Retail Priority Mail Flat-Rate products. The Priority Mail Commercial rate increased by 3.6%, but the USPS noted that this



was well below the rate of inflation. Other Priority Mail service price increases range from 5.5% for Priority Mail to 6.6% for Priority Mail Express to 7.8% for the First-Class Package service. These proposed prices have been approved by the Postal Service board of governors. The Postal Regulatory Commission (PRC) will review these prices before they are scheduled to take effect.

## Postmaster DeJoy and the Future of the USPS

Calls for Postmaster DeJoy's removal have lingered since the election of President Biden, and yet the President himself does not seem inclined to make this happen. He has made appointments to the USPS's governing board and is in a position to add his own appointments in place of board members Donald Moak and William Zollars, but despite pressure from groups like Common Cause, which has submitted a [petition to fire DeJoy](#), he remains in place.

In listening to the [public presentation by the USPS Governing Board](#), there does not appear to be significant tension among its members. All of the votes passed easily (mostly unanimously) including the re-election of the current chair and vice chair. Where tension became apparent was in the question-and-answer session at the end of the board meeting. Some of those with questions represented unions or postal-related associations. Others were current or retired postal employees. Some of the issues that were brought up included:

- ♦ **Seasonal Employees:** Some questioners expressed concerns that the USPS was not hiring enough employees for the holiday season. There was also concern that the 20,000 figure cited was not as many seasonal employees as were hired in previous years and that offices were already understaffed and working flat out with overtime.
- ♦ **Labor:** A related labor concern from a postal employee was that even when fully staffed, employees were working 10 to 15 hours a day. Even with these hours, some routes did not get deliveries on many days. The caller partially attributed this to delayed hiring practices that made it difficult for managers to post open positions because employees who left their positions were still included as if they had not quit.
- ♦ **Automation/Consolidation:** A caller expressed concern about moving sorting to centralized locations, adding that consolidation also impacts users' ability to get certified mail without traveling long distances. This caller suggested that the board pause its consolidation plan and further research the local impact. Another caller said that planned consolidation in the area around Newburgh, New York would cause problems in mail collection because it would require frequent travel on highly trafficked (and often crowded) bridges and thoroughfares.
- ♦ **Theft and Letter Carrier Safety:** The President of the Postal Police Officers Association expressed concern about mail theft and violence against letter carriers. He was dismayed by the decision to eliminate parts of the service that protect letter carriers. He noted that the USPS pays for postal police officers and that the agency should



make better use of them. Another caller, a current employee, bemoaned security issues related to cluster mailboxes (i.e., centralized units of individually locked compartments for the delivery and collection of mail, also known as CBUs or Cluster Box Units).

- ♦ **Electric Vehicles:** Several individuals spoke about the contract for electric vehicles, and specifically that those vehicles be union-made (as Biden had requested). Where those vehicles were to be constructed was also a point of concern, as was a concern of a potential conflict of interest regarding DeJoy and this contract.

In regard to consolidation, it does appear that DeJoy and upper management are open to listening to the concerns about location closures. While there is sure to be pain associated with any closure, the impact needs to be carefully considered. If service levels and reliability are to remain as key USPS metrics, then the perspectives of local employees must be taken into consideration.

In DeJoy's own words, here are some of the accomplishments and challenges facing the Postal Service:

*"...we have accomplished a great deal since the release of the Delivering for America Plan... Over the last two years we have stabilized our operations, evolved our products, improved our service, strengthened our balance sheet, halved our projected losses and—motivated our employees to join us in this transformation... We still face significant losses, our carriers still drive 30-year-old vehicles, our plants and post offices still have significant deferred maintenance and are not aligned for the intended mission, and our technology and business processes need to be brought into the modern era... As the Postal Reform Acts states, we must move mail and packages in an integrated network and deliver to 163 million delivery points six days a week and cover our cost. And our mission to serve is growing. Our delivery points continue to expand with over 1.7 million new addresses added just last year, while mail volume continues to decline-by approximately 3% annually. Albeit improving, the Postal Service currently does not have an integrated mail and package network that satisfies our service and cost objectives. We need to configure one from within our existing infrastructure while serving the nation... With stakeholder cooperation, this will take five years to mostly accomplish. Without stakeholder cooperation, a lot longer."*





# opinion

## Opinion

Market data from the U.S. Census Bureau and other sources can be dry and depressing for today's printers, but a closer look at the numbers may identify trends that can help today's print service providers succeed. This data also enables a broader understanding of larger industry trends that impact day-to-day business. Despite declines in the number of overall establishments, the U.S. printing industry still generates billions of dollars in revenue that print-for-pay and print-for-cost establishments aggressively compete for.



# author



**Jim Hamilton**

Consultant Emeritus

Jim Hamilton is a well-known industry analyst who serves as Consultant Emeritus for Keypoint Intelligence's Business Development Strategies and Production Printing consulting services. In this role, Mr. Hamilton supports the areas of production digital printing, wide format signage, labels & packaging, functional & industrial printing, production workflow & variable data tools, document outsourcing, digital marketing & media, customer communications, and business development.

[Comments or Questions?](#)



Download our mobile app to access to our complete service repository through your mobile devices.



This material is prepared specifically for clients of Keypoint Intelligence. The opinions expressed represent our interpretation and analysis of information generally available to the public or released by responsible individuals in the subject companies. We believe that the sources of information on which our material is based are reliable and we have applied our best professional judgment to the data obtained.