



# Postal, Paper & Logistics Update

July, 2023

A UPS driver strike looms after the breakdown in labor negotiations with the Teamsters union, threatening a new round of supply chain disruptions and potentially higher shipping costs. The five-year UPS agreement with the Teamsters expires on July 31. UPS employees voted to not work past this deadline if an agreement is not reached. In postal news, the USPS reported another net loss for the month of May. On a bright note, paper markets remain stable. Keep reading to learn more about developments in each of these areas.

Built on our roots as a printer, mail industry partner and logistics leader, Quad is a marketing experience company focused on delivering streamlined solutions at scale to our clients. As the largest USPS customer, we are uniquely positioned to provide clients with best practices and insights on the latest postal, paper and logistics topics. If you have any questions or concerns during these challenging times for our industry, contact your Quad representative. We'll tap our in-house experts to investigate and get you the answers you need.

## Postal

The Postal Service released its preliminary financial results for May, which are posted on the Postal Regulatory Commission (PRC) website.

In the eighth month of its fiscal year, the USPS reported a net loss of \$616 million, bringing its year-to-date loss to \$4.765 billion, almost double the planned loss for this point in the fiscal year.

Operating revenue grew 0.8% in May, an improvement over most of the previous months of the fiscal year, but still well below the rate hikes implemented in January.

Total Market Dominant Mail volume declined 11.3% for the month compared to May 2022, steeper than plan, and is down 8.6% for the year to date. Competitive Products volume inched up 0.4%, which was below plan. Total mail volume for the month, including International, dropped 10.6% and is down 8.3% for the year to date.

## Miscellaneous updates

- The National Association of Letter Carriers (NALC) has been in mediation with the USPS for a new collective bargaining agreement (CBA). The current CBA expired on May 20, and the mediation period is set to end on July 19.
- On July 9, new postal price changes went into effect, along with the new USPS Ground Advantage package service. The price of a First-Class Mail Forever stamp will rise from 63¢ to 66¢. A domestic postcard will increase 3¢ to 51¢.
- The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.2% in June on a seasonally adjusted basis, after increasing 0.1% in May, according to the U.S. Bureau of Labor Statistics.
- As of July 12, the available CPI rate authority for January 2024 was at 1.388% (includes March, April, May, June). With two months to go, the USPS continues to project the January 2024 rate authority at 1.9%. We are waiting for the PRC to update its website on the available rate authority for January.

## Special Request from Quad

The Postal Service is considering offering broad-based incentives to increase Market Dominant mail volumes. Please help us understand what kinds of incentives would be most beneficial by completing the accompanying survey: [PostCom Mail Incentive Survey 2023](#)

## USPS delivery performance

Mail volume remains low, which means the USPS continues to process mail at a good pace. The chart below shows the average in-home curves for the last four weeks.

Even with the speedy delivery, some postal processing facilities have been moving flat mail (catalogs and magazines) slower than they should. Tampa, Fla., has been slower for the last two months, averaging under 40% in-home by the Service Standard in June. Other locations that have been slower this month include: the National Delivery Center in Kansas City, Mo.; Providence, R.I.; Tulsa, Okla.; and White River Junction, Vt. The delays are not long, as about 30-to-40% of mail is in-home one to two days later than the Service Standard.

Forecasts expect mail to move quickly throughout the remainder of summer while volume is low. We will be watching for changes in mail processing later this year, as USPS network changes are implemented.

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The various tornadoes and flooding that have occurred this summer have not affected mail delivery to a measurable degree, but we continue to monitor for such issues.

|                   | Week of 6/19 | Week of 6/26 | Week of 7/3 | Week of 7/10 |
|-------------------|--------------|--------------|-------------|--------------|
| <b>Early</b>      | 33%          | 26%          | 41%         | 20%          |
| <b>Day 1</b>      | 61%          | 50%          | 71%         | 47%          |
| <b>Day 2</b>      | 85%          | 75%          | 90%         | 66%          |
| <b>Day 3</b>      | 93%          | 91%          | 95%         | 80%          |
| <b>Day 4</b>      | 98%          | 97%          | 97%         | 87%          |
| <b>1 Day Late</b> | 99%          | 99%          | 98%         |              |

## USPS volume

| Mail volume for the week ended July 8, compared to last year |                   |   |
|--|-------------------|---|
| Total Mail Volume  | <b>Down 11.1%</b> | ▼ |
| Packages   | <b>Down 1.7%</b>  | ▼ |
| Single Piece   | <b>Down 9.2%</b>  | ▼ |
| Presort First Class  | <b>Down 4.5%</b>  | ▼ |
| Marketing Mail   | <b>Down 16.3%</b> | ▼ |
| Periodicals  | <b>Down 26.5%</b> | ▼ |

| Mail volume for the week ended July 1 |                   |   |
|---------------------------------------|-------------------|---|
| Total mail Volume                     | <b>Down 11.8%</b> | ▼ |
| Packages                              | <b>Down 4.5%</b>  | ▼ |
| Single Piece                          | <b>Down 13.2%</b> | ▼ |
| Presort First Class                   | <b>Down 4.3%</b>  | ▼ |
| Marketing Mail                        | <b>Down 11.0%</b> | ▼ |
| Periodicals                           | <b>Up 12.3%</b>   | ▲ |

| Mail volume for the week ended June 24 |                   |   |
|--|-------------------|---|
| Total Mail Volume                      | <b>Down 12.6%</b> | ▼ |
| Packages                               | <b>Down 0.7%</b>  | ▼ |
| Single Piece                           | <b>Down 10.6%</b> | ▼ |
| Presort First Class                    | <b>Down 5.9%</b>  | ▼ |
| Marketing Mail                         | <b>Down 21.1%</b> | ▼ |
| Periodicals                            | <b>Down 14.9%</b> | ▼ |

| Mail volume for the week ended June 17 |                   |   |
|--|-------------------|---|
| Total Mail Volume                      | <b>Down 10.4%</b> | ▼ |
| Packages                               | <b>Down 3.6%</b>  | ▼ |
| Single Piece                           | <b>Down 9.7%</b>  | ▼ |
| Presort First Class                    | <b>Down 3.8%</b>  | ▼ |
| Marketing Mail                         | <b>Down 10.5%</b> | ▼ |
| Periodicals                            | <b>Down 16.3%</b> | ▼ |

# Quad

## Paper Market

- Paper markets remain stable, with ample supply to meet demand.
- Mills continue to shutter their paper machines as needed in order to maintain market balance.
- Paper order lead times have increased slightly as we head into the peak printing season.

## Logistics

The most significant development affecting the logistic market is the possible strike by 340,000 **UPS** workers.

The five-year UPS agreement with the Teamsters expires at 11:59 pm on July 31. UPS employees voted against working past this deadline if no agreement is reached and could strike as early as August 1.

Quad uses FedEx, not UPS, when shipping parcels and therefore would not be directly impacted by any strike. FedEx has stated it is looking to protect customers and will limit volumes going into the FedEx network to prevent the network from getting overrun.

As part of the effort to protect its network, FedEx had announced it would not take on any new customers after July 17 unless those potential customers were fully vetted, and a contract was in place prior to July 17.

On the other hand, the USPS cannot turn away customers and could be overrun quickly with parcel volume as it will be one of few avenues UPS customers could turn to move shipments.

Quad will continue monitoring the situation between UPS and the Teamsters closely. Ideally an agreement will be reached prior to July 31. If you have any questions, please contact your account manager.

In other logistics news, **Yellow Corp.**, the third largest Less-Than-Truckload (LTL) carrier in the U.S. representing more than 10% of the LTL volume nationwide, has been working to restructure its network under its OneYellow initiative.

Yellow is one of only three unionized LTL carriers in the U.S. and the union is not supportive of changes the carrier wants to make, primarily switching some of the driver's roles to "utility" roles. Yellow has publicly stated that the carrier will run out of cash if the union doesn't agree, and the carrier and union have been at a stalemate for several weeks.

Yellow failed to make required health and pension contributions in June and July. This could result in union employees going on strike on or after July 24. If there is any strike the company may not survive, so this could be a last-ditch effort to force the union to the negotiating table to see if a deal could be reached to save Yellow.

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

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