



Postal, Paper & Logistics Update

September, 2023

The USPS Board of Governors approved their 2024 budget, while tension builds between the USPS and the Postal Regulatory Commission (PRC). Paper markets have been stable since last month, along with pricing in the sector. In Logistics, FedEx and UPS announced general rate increases, while LTL space continues to feel the impact of Yellow Corp.'s bankruptcy.

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 tension between the USPS and the PRC started in November 2022 when the PRC insisted on issuing an advisory opinion before allowing the USPS to move the Critical Entry Times (CET) for Periodicals to 8:00 am. The CET is the last time of day that a mail piece can be tendered to the Postal Service and still have the day count when measuring that mail service's performance.

This action was followed by the Postmaster General (PMG) using his May 22 keynote at the National Postal Forum (NPF) to jokingly "propose" that the PRC be disbanded in 2028. This joke did not land well with the audience, as the USPS and the PMG have regularly criticized what they call the "defective pricing model" established by the PRC. This tension has continued to escalate in the past few weeks around a dispute over the PRC's 2024 budget.

Quad

The funding of the PRC comes out of the USPS budget. This was the latest change included in the most recent postal bill that Congress passed, known as the Postal Service Reform Act (PSRA). Previously, the PRC was funded by the Congressional appropriations process, but that also meant if the government shut down, the PRC would shut down as well.

Funding the PRC under the USPS budget prevents government shutdowns from impacting the PRC, but it also gives the USPS Board of Governors (BOG) the power to approve the PRC's budget, and with a unanimous vote, to change it.

The PRC 2024 budget request increased funding, citing a heavier workload for the PRC coupled with years of underfunding. The BOG denied this request. The PRC responded with a revised request but also issued a press release, which publicized the conflict. The BOG responded by calling a special meeting at which it adjusted the revised request downward with a unanimous vote.

PRC Chairman Kubayanda responded by issuing a statement expressing concern that the reduced budget will limit the PRC's capacity to provide oversight of postal operations.

On Sept. 11, the BOG approved a PRC budget of \$21.124 million for FY 2024 which begins in October. This represents a 28.2% increase from the estimated spending in FY 2023 and a 47.4% increase from the actual expenses in FY 2022, but still less than the PRC had requested.

Quad will be monitoring how this intramural feud will play out. One solution to the PRC capacity constraint that the mailing industry would support is a PRC ruling restricting the USPS to a once-a-year price increase, since the review and approval of price change filings is a resource-intensive process.

Miscellaneous updates:

- No changes to the international suspension/embargo list.
- September 18 kicks off National PCC Week 2023, with 56 events planned. There will be sessions on Ground Advantage, including the proposed Mail Growth Incentives.
- The USPS has received the first set of questions from the PRC on the proposed Mail Growth incentives and the negotiated service agreement (NSA) with Publisher's Clearing House (PCH).
- A list of Sorting & Delivery Centers was sent out for September.
- USPS is working to get into a 30-to-60-day advanced notice cadence notification going forward.
- As of our publication date, the USPS had yet to announce or file for its usual peak season pricing increase for competitive products. We expect a formal announcement soon.

USPS delivery performance

As volume slowly starts to increase, the USPS is generally maintaining performance. The following facilities were delayed in processing flat mail over the last four weeks: Boston; Central Massachusetts; Cheyenne, Wyo.; Gary, Ind.; Manasota, Fla.; Middlesex-Essex, Mass.; Norfolk, Va.; Richmond, Va.; and South Suburban Illinois. These locations had less than 60% of the mail in-home within the Service Standard but completed delivery one to two days later.

Two storms somewhat impacted mail delivery at the end of August. Tropical Storm Hillary caused some delivery delays in Southern California the week of August 21. Hurricane Idalia impacted mail delivery in Florida in late August. Two Sectional Center Facilities (SCFs) were shut down for a day, causing some processing delays. Delivery was curtailed one to three days in some zip codes, but the USPS was able to resume delivery or offer mail for pick up in all locations by September 5.

As volume continues to increase, we may start to see some delays in the movement of mail. Traditionally, the slowest delivery weeks of the year are from mid-October to the first week of December, coinciding with the highest volume weeks.

	Week of 8/21	Week of 8/28	Week of 9/4	Week of 9/11
Early	17%	21%	24%	21%
Day 1	40%	46%	57%	49%
Day 2	70%	73%	80%	74%
Day 3	85%	86%	90%	86%
Day 4	95%	94%	94%	93%
1 Day late	98%	96%	95%	95%

USPS volume

Mail volume for the week ended September 9, compared to last year		
Total Mail Volume	Down 9.9%	▼
Packages	Up 5.1%	▲
Single Piece	Down 4.4%	▼
Presort First Class	Down 4.2%	▼
Marketing Mail	Down 13.0%	▼
Periodicals	Up 23.2%	▲

Mail volume for the week ended September 2		
Total mail Volume	Down 8.6%	▼
Packages	Up 0.7%	▲
Single Piece	Down 10.3%	▼
Presort First Class	Down 4.5%	▼
Marketing Mail	Down 15%	▼
Periodicals	Up 24%	▲

Mail volume for the week ended August 26		
Total Mail Volume	Down 11.1%	▼
Packages	Up 0.2%	▲
Single Piece	Down 8.4%	▼
Presort First Class	Down 1.6%	▼
Marketing Mail	Down 8.4%	▼
Periodicals	Down 11.8%	▼

Mail volume for the week ended August 19		
Total Mail Volume	Down 12.5%	▼
Packages	Down 0.4%	▼
Single Piece	Down 8.5%	▼
Presort First Class	Down 3.4%	▼
Marketing Mail	Down 11.1%	▼
Periodicals	Down 33.0%	▼

Quad

Paper Market

Paper markets are status quo, with good availability of all grades and steady pricing.

Logistics

Overall, the market continues to be stable, apart from delivery challenges in the LTL space. It appears the Yellow Corp. bankruptcy has pushed volume to other carriers and that has been causing some delays. We are seeing notices for rate and pricing increases coming for 2024.

FedEx and UPS announced 5.9% general rate increases (GRIs) for 2024. UPS's increase will start a week earlier (Dec. 26) than FedEx's (Jan. 1, 2024). As has been the norm over the past several years, both carriers will be adjusting accessorial charges as well, and both carriers have renamed the "peak surcharges" to "demand surcharges." Considering these demand surcharges" and changes to accessorial (as of this writing, UPS hadn't announced the details) many charges will be increasing well above the published 5.9% increase.

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

1 (866) 824-2869
info@quad.com
Quad.com