



# Postal, Paper & Logistics Update

January, 2024

On Jan. 21, 2024, the U.S. Postal Service price increase went into effect. Paper markets are stable to start the year. In Logistics, a new U.S. Department of Labor rule could reclassify some long-haul truckers from independent contractors to employees, potentially worsening the existing trucker shortage.

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 one of the largest USPS customers, 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

Beginning Jan, 21, 2024, the U.S. Postal Service adjusted its pricing, raising the cost of First Class Forever stamps from 66 cents to 68 cents. This adjustment, proposed in October 2023 and approved by the Postal Regulatory Commission (PRC) in December is a component of a broader rate escalation that will affect various services.

Priority Mail will experience a 5.7% increase in rates, Priority Mail Express will see a 5.9% increase, and USPS Ground Advantage fees will rise by 5.4%.

On Dec. 20, 2023, The Postal Service released its annual [Report to Congress](#), which includes a Comprehensive Statement of Operations for fiscal year (FY) 2023 and the FY 2024 Performance Plan.

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For November 2023, the Postal Service reported a substantial \$1.15 billion loss in operations, despite a marginal increase in operating revenue. This continues the trend of falling volumes in Market Dominant products, with some relief from rising Package business. The Competitive products increase of 32 million pieces couldn't offset the near 8% monthly and 12% year-to-date decline in overall postal volumes.

The net loss for the month stood at \$1.11 billion, exceeding last year's figure by \$120 million and surpassing the forecasted loss by \$625 million. This loss was primarily attributed to continuous growth in staff-related expenses. Although revenue was just below the expected level, it rose 1.3% from the previous year, propelled by two rate increases within 12 months.

Notably, volumes of Market Dominant products saw a drop, with Marketing Mail decreasing by 11.1% and First-Class Mail by 5.2% compared to the prior year. On a brighter note, package business segments showed better performance, with a 5.6% rise in competitive product volumes and a 3.9% increase in revenue.

Challenges in aligning labor usage with decreasing volumes persist. Even with a slight reduction in total work hours compared to last year, expenses related to controllable compensation and benefits climbed by 3.8%, influenced by wage hikes and cost-of-living adjustments.

As overall volumes decline, the USPS faces difficulties in proportionally reducing non-personnel costs, which fell just 3.9% for the month. A 15% reduction in transportation costs compared to 2022 was somewhat neutralized by higher expenses in IT, supplies and vehicle upkeep. The move towards insourcing, intended to cut transportation costs, is anticipated to elevate personnel expenses. More information on the Postal Service's financial outcomes for November 2023 [is available online](#).

## Miscellaneous updates

- The USPS's Total Factor Productivity (TFP) performance for 2023 declined by 4%; the worst single-year decline since the measure began in 1963. In 2023 the U.S. economy greatly outperformed expectations, but the TFP decline in 2023 continues a trend; the overall decline in TFP since 2019 is the largest in any four-year period.
- Postmaster General's Mailers Technical Advisory Committee (MTAC) met Jan. 23-25. The MTAC Open Session and Reception are held quarterly on Tuesdays starting at 1 p.m. The MTAC Membership meetings and Focus Group discussions are on Wednesdays, from 9 a.m. to 5 p.m. at the USPS's national headquarters at 475 L'Enfant Plaza SW, Washington, D.C. 20260-0004.
- Delivery Technology Advocacy Council (DTAC) Meeting, Feb. 8-9, 2024
- National Association of Presort Mailers (NAPM) 2024 Annual Conference, Feb. 13-15, 2024
- Around 500 Mail Owners have signed up for the USPS Growth Incentive and roughly 40% approved and signed off on their volume thresholds

## USPS delivery performance

Marketing Mail volume dropped off significantly mid-December. As is typical, the USPS then moved the mail very quickly. We had a great deal of mail in-home earlier than the target window right before Christmas and New Year's as well as before the first weekend of the new year. This was due to faster USPS performance, but also to the fact that we had to deliver more mail to the USPS earlier than usual due to the holidays.

|                   | Week of 12/11 | Week of 12/18 | Week of 12/25 | Week of 1/1 | Week of 1/8 |
|-------------------|---------------|---------------|---------------|-------------|-------------|
| <b>Early</b>      | 23%           | 20%           | 41%           | 32%         | 32%         |
| <b>Day 1</b>      | 46%           | 43%           | 74%           | 58%         | 58%         |
| <b>Day 2</b>      | 67%           | 72%           | 86%           | 72%         | 72%         |
| <b>Day 3</b>      | 87%           | 88%           | 95%           | 79%         | 79%         |
| <b>Day 4</b>      | 94%           | 96%           | 98%           | 80%         | 80%         |
| <b>1 Day Late</b> | 96%           | 98%           | 99%           | 89%         | 89%         |

No postal facilities were delayed in any significant way in the processing of Letter mail over the last month. The facilities in the chart below, though, were delayed in processing Flat mail through December and early January. We believe volume and parcels caused the slower performance in December. We are hopeful that we will see improvement now that the holidays are over. So far, the weather has not impacted mail delivery in any significant way.

The Milwaukee, Wis., postal facility had significant delays in processing Flat mail from 11/27-12/22, specifically mail that we entered 'DMU' (through our Detached Mail Unit in the plants). This is mail for the whole country and must be processed in Milwaukee before moving on to the next processing center. In some cases, mail was delayed for weeks. We worked with USPS management on every level to try to get the mail moving more quickly, but in the end, it was finally processed after the peak parcel volume was through. We are looking into alternatives for this mail for next December.

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Below: **Red** indicates less than 50% of the mail is in-home by Service Standard.

| Entry Type | City                  | State        | In-Home by Service Standard % |
|------------|-----------------------|--------------|-------------------------------|
| SCF        | Baton Rouge           | La.          | 69.21%                        |
| <b>SCF</b> | <b>Boston</b>         | <b>Mass.</b> | <b>43.87%</b>                 |
| SCF        | Brooklyn              | N.Y.         | 54.12%                        |
| SCF        | Central               | Mass.        | 59.18%                        |
| SCF        | Champaign             | Ill.         | 61.66%                        |
| SCF        | Denver                | Colo.        | 63.01%                        |
| SCF        | Detroit               | Mich.        | 57.85%                        |
| SCF        | Eugene                | Ore.         | 59.17%                        |
| SCF        | Evansville            | Ind.         | 62.32%                        |
| SCF        | Fort Wayne            | Ind.         | 63.64%                        |
| SCF        | Gary                  | Ind.         | 49.77%                        |
| SCF        | Grand Forks           | N.Dak.       | 62.77%                        |
| SCF        | Hartford              | Conn.        | 69.25%                        |
| SCF        | Indianapolis          | IN           | 59.90%                        |
| SCF        | Kansas City           | MO           | 63.08%                        |
| SCF        | Mid Hudson            | NY           | 62.50%                        |
| SCF        | Middlesex-<br>Essex   | Mass.        | 62.15%                        |
| SCF        | New York              | N.Y.         | 64.87%                        |
| SCF        | NNJ Metro             | N.J.         | 58.63%                        |
| <b>SCF</b> | <b>Norfolk</b>        | <b>Va.</b>   | <b>46.39%</b>                 |
| SCF        | North Metro           | Ga.          | 67.08%                        |
| SCF        | Providence            | R.I.         | 66.16%                        |
| <b>SCF</b> | <b>Queens</b>         | <b>N.Y.</b>  | <b>46.84%</b>                 |
| <b>SCF</b> | <b>Richmond</b>       | <b>Va.</b>   | <b>47.95%</b>                 |
| SCF        | St. Louis             | Mo.          | 55.88%                        |
| <b>SCF</b> | <b>South Suburban</b> | <b>Ill.</b>  | <b>49.26%</b>                 |
| SCF        | Suburban Md.          | Md.          | 69.46%                        |
| SCF        | Wichita               | Kans.        | 64.04%                        |

## USPS volume

| Mail volume for the week ended January 13, compared to last year |                   |   |
|--|-------------------|---|
| Total Mail Volume  | <b>Down 8.7%</b>  | ▼ |
| Packages   | <b>Down 0.7%</b>  | ▼ |
| Single Piece   | <b>Down 10.0%</b> | ▼ |
| Presort First Class  | <b>Up 3.0%</b>    | ▲ |
| Marketing Mail   | <b>Down 2.4%</b>  | ▼ |
| Periodicals  | <b>Down 49.7%</b> | ▼ |

| Mail volume for the week ended January 6 |                   |   |
|--|-------------------|---|
| Total Mail Volume                        | <b>Down 4.8%</b>  | ▼ |
| Packages                                 | <b>Down 2.7%</b>  | ▼ |
| Single Piece                             | <b>Down 10.8%</b> | ▼ |
| Presort First Class                      | <b>Up 0.2%</b>    | ▲ |
| Marketing Mail                           | <b>Down 13.3%</b> | ▼ |
| Periodicals                              | <b>Down 18.5%</b> | ▼ |

| Mail volume for the week ended December 30 |                   |   |
|--|-------------------|---|
| Total Mail Volume                          | <b>Down 0.9%</b>  | ▼ |
| Packages                                   | <b>Down 5.7%</b>  | ▼ |
| Single Piece                               | <b>Down 9.2%</b>  | ▼ |
| Presort First Class                        | <b>Down 3.2%</b>  | ▼ |
| Marketing Mail                             | <b>Down 5.2%</b>  | ▼ |
| Periodicals                                | <b>Down 16.2%</b> | ▼ |

| Mail volume for the week ended December 23 |                  |   |
|--|------------------|---|
| Total Mail Volume                          | <b>Down 0.3%</b> | ▼ |
| Packages                                   | <b>Up 7.9%</b>   | ▲ |
| Single Piece                               | <b>Up 5.5%</b>   | ▲ |
| Presort First Class                        | <b>Up 9.1%</b>   | ▲ |
| Marketing Mail                             | <b>Up 4.3%</b>   | ▲ |
| Periodicals                                | <b>Up 33.5%</b>  | ▲ |

| Mail volume for the week ended December 16 |                  |   |
|--|------------------|---|
| Total Mail Volume                          | <b>Down 2.9%</b> | ▼ |
| Packages                                   | <b>Up 3.9%</b>   | ▲ |
| Single Piece                               | <b>Down 9.7%</b> | ▼ |
| Presort First Class                        | <b>Down 2.0%</b> | ▼ |
| Marketing Mail                             | <b>Down 1.9%</b> | ▼ |
| Periodicals                                | <b>Down 37%</b>  | ▼ |

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## Paper Market

The paper industry is stable to start 2024.

## Logistics

Domestically, we've seen several weather systems move across various parts of the U.S. that have disrupted travel, and it's forecasted that we will see more in the coming week. Fortunately, so far this has caused very few transportation delays.

The U.S. Department of Labor has adopted a federal rule effective March 11, 2024, that could result in companies reclassifying many independent contractors as employees, a move that trucking industry stakeholders view as a restriction on how thousands of truck drivers make a living. Similar to what was implemented in California in 2022, owner/operators could be classified as employees of a company they are driving for, limiting that driver's flexibility on hours and routes — primary reasons for being an owner/operator. The American Trucking Association is considering challenging this ruling.

Abroad, Houthi rebel attacks on container ships in the Red Sea have caused carriers to divert ships to other, longer routes. This has caused a near doubling of average worldwide costs to ship 40-foot-long containers since late November, according to London-based Drewry Shipping Consultants. The rebels have said their attacks are a response to the fighting between Israel and Hamas in Gaza. Thus far, Quad has not been affected by longer inbound transit times, but we will be watching this situation closely as it could cause a ripple effect in supply chain transit times and rates across the globe.

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

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