



Postal, Paper & Logistics Update

August 2024

In brief: The U.S. Postal Service reported a net loss despite slightly higher revenue for its fiscal third quarter (April through June), prompting one member of the Board of Governors, Dan Tangherlini, to note that the agency's financial position "continues to degrade." Labor disputes threaten freight deliveries, while paper markets prepare for price increases and delivery disruptions. The U.S. International Trade Commission now plans to vote in late October on imposing tariffs on printing plates imported from Japan and China.

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, contact your Quad representative. We'll tap our in-house experts to investigate and get you the answers you need.

Postal

The USPS posted a net loss of \$2.5 billion for the April-through-June third quarter of the government's fiscal year 2024, bringing year-to-date losses to more than \$6 billion. As reported in a USPS news [release](#) dated Aug. 8, revenue grew in all mail categories except International and Periodicals. Overall mail volume fell about 1.6%, to 26.5 billion pieces. Shipping and Packages was the only category that did not decline, with volumes increasing by 46 million pieces or 2.7%, providing a \$182 million revenue increase.

The USPS cited “inflationary headwinds” leading to higher operating costs as a primary factor in the \$2.5 billion loss, along with expenses associated with amortization of unfunded retiree pension liabilities. The USPS lost [\\$1.7 billion](#) in the same quarter a year ago.

One bright spot was a transportation expense reduction of \$236 million.

Postmaster General Louis DeJoy said that he remains focused on increasing revenue while discounting volume declines: “We are making solid progress in generating a sustained revenue growth trajectory in our mailing and shipping businesses, which is validation of the product and pricing strategies and network capabilities enabled by our Delivering for America plan.”

Two members of the Board of Governors appeared to be less optimistic.

- “Operating costs are not falling below our improving revenue, and most importantly, service has not improved at the same rate as price increases,” Dan Tangherlini said, adding, “I’m concerned about implementation, performance and our ability to maintain customer support for these hard and necessary changes.”
- Ron Stroman said that he recognized the transition the USPS is making will be “long and complex... but how you implement change matters. ... There remains great demand and need for high-quality mail and package service, particularly in working-class families and small businesses, which are the backbone of America’s economy.”

Comments from Tangherlini and Stroman were reported by [Federal News Network](#).

Additional highlights of the earnings report, compared to the same period last year:

- First Class Mail volume declined 370 million pieces or 3.4%, while revenue increased \$125 million to \$5.9 billion, up 2.1%.
- Marketing Mail volume declined 43 million pieces or 0.3%, while revenue rose \$107 million to \$3.5 billion, up 3.1%.
- Shipping and Packages volume grew by 46 million pieces or 2.7%, while revenue climbed \$182 million to \$7.7 billion, up 2.4%.

A complete report of Q3 results can be found [here](#).

Other Postal news of note for the month:

- 2025 Promotion Guidebooks will be available by the first week of September (except for Continuous Contact; it’s new and still working through detailed scenarios).
- Customers who are e-VS users (USPS Package system) are required to migrate to the new USPS Ship platform by February 1, 2025.

Webinar save the date: USPS promotions and incentives for 2025

Rising postal costs make it crucial for mailers to seek maximum savings from USPS promotions and incentives. Significant changes are in store for 2025, as the Postal Service launches new promotions and makes updates to program structures and requirements.

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As one of the largest customers of the Postal Service, Quad can help you understand these changes so you can optimize your mail and offset the rising cost of postage to the fullest extent.

In a free webinar on September 17, Quad subject matter experts will provide insights to the 2025 programs and an overview on what you need to know for successful implementation.

They will also provide an overview of Quad’s extensive postal optimization programs and explain how our team can assist. Quad uses factors such as mail type, volume and geographic delivery region to determine which solution will create the greatest end-to-end efficiencies and savings for clients. Our latest optimization solution, [Household Fusion](#), was introduced in April.

Also on the agenda:

- 2025 Postal Rate Increase Guidance
- USPS Promotions Overview
- 2025 Promotions – Understanding Base Promotions and Add Ons
- 2025 Incentives
- Review 2025 [USPS Promotion Calendar](#)
- Individual Promotion and Incentive Details
- How Quad Can Assist

Save the date on your calendars! Look for a registration link soon!

USPS delivery performance

Overall, USPS performance continued to be “good” through July and early August. As we approach September, volume will increase slightly and we may see some slower delivery in the weeks after Labor Day. We expect to see slightly less mail in-home early and on the first day or two of the target window, while still hitting about 90% to 95% by the end of the window.

	Week of 7/22	Week of 7/29	Week of 8/5	Week of 8/12
Early	26%	36%	27%	27%
Day 1	52%	60%	55%	52%
Day 2	76%	77%	77%	70%
Day 3	89%	87%	91%	79%
Day 4	95%	93%	96%	90%
1 Day Late	96%	94%	98%	93%

Although the nationwide averages look good, there are some facilities where Flat mail is moving more slowly than it should. Less than 50% of the mail we tracked through Network Distribution Center (NDC) St. Louis in July was in-home by Service Standard. Sectional Center Facility (SCF) St. Louis is also delayed with less than 70% in-home on time. And SCFs Atlanta and North Metro Georgia continue to track at 60% to 65% in-home on-time. The late mail is mostly in-home one to two days after the end of the Service Standard window. Letter mail is moving well through all facilities.

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LPC (Local Processing Center) South Houston, Texas opened Aug. 24. This new facility will process mail for some of the ZIP Codes that have been handled in SCF North Houston. The USPS originally planned to open South Houston several months ago but pulled back to assure a smoother transition. This was after the extreme delays in Georgia, when the new Regional Process and Distribution Center (RPDC) opened in Palmetto. We will be closely monitoring performance in the Houston area.

USPS volume

Mail volume for the week ended Aug. 10, 2024, compared to last year		
Total Mail Volume	N/A	
Packages	N/A	
Single Piece	Down 3.7%	▼
Presort First Class	Up 2.9%	▲
Marketing Mail	Up 5.1%	▲
Periodicals	Down 13.4	▼

Mail volume for the week ended Aug. 3, 2024		
Total Mail Volume	Down 2.6%	▼
Packages	Up 3.9%	▲
Single Piece	Down 9.0%	▼
Presort First Class	Down 9.8%	▼
Marketing Mail	Up 3.9%	▲
Periodicals	Down 18.2%	▼

Mail volume for the week ended July 27, 2024		
Total Mail Volume	Up 0.1%	▲
Packages	Up 8.1%	▲
Single Piece	Down 9.1%	▼
Presort First Class	Up 2.5%	▲
Marketing Mail	Down 5.1%	▼
Periodicals	Up 5.1%	▲

Mail volume for the week ended July 20, 2024		
Total Mail Volume	Up 5.9%	▲
Packages	Up 0.8%	▲
Single Piece	Down 8.4%	▼
Presort First Class	Down 0.4%	▼
Marketing Mail	Down 17.5%	▼
Periodicals	Up 13.5%	▲

Paper Market

Paper markets are preparing for price increases and potential delays in shipments.

- North American newsprint producers have announced a price increase of \$50 per metric ton, effective Sept. 1. Mills are stating that inflation is the driving force behind the rate increase.
- Quad is currently negotiating with the newsprint mills to mitigate this increase to the extent possible. We will provide an update to clients later this month.
- As detailed below, Canada is contending with labor uncertainties in its rail industry. To prevent disruption in deliveries, Quad has transitioned our Canadian paper orders from rail deliveries to truck deliveries during this time.

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Logistics

Labor disputes threaten freight disruptions at U.S. ports and Canadian rail line rail lines, while diesel prices are edging down.

- Tensions between Teamsters Canada and the Canadian National (CN) and Canadian Pacific Kansas City (CPKC) railroads remain high after the Canada Industrial Relations Board ordered rail employees back to work following a brief work stoppage. The Canada Industrial Relations Board imposed binding arbitration on the parties and scheduled it for this Thursday, Aug. 29. The Teamsters said they would abide by the ruling but are also appealing the decision, according to [Freightwaves, an industry trade publication](#).

A spokesperson for Teamsters Canada, which represents the railroads' workers, said that the main sticking points in negotiations were the companies' demands for concessions regarding crew scheduling, rail safety and fatigue management that the union said would jeopardize safety. The railroads contend they need the concessions to deal with labor shortages. The union's position is that an agreement is still possible.

- In other labor news affecting the freight markets, the International Longshoremen's Association continues to say that it will strike if a new contract with shippers is not reached by the time the current contract expires Sept. 30.

Even a one-day strike at U.S. seaports on the East Coast and Gulf of Mexico could back up cargo four to six days, citing analysts at shipping advisory firm Sea-Intelligence. And a one-week strike in early October would not be cleared until mid-November, per Sea-Intelligence.

- In more positive news, on-highway diesel prices have continued to edge lower so far in August in the United States, from \$3.768/gallon on July 29 to \$3.688/gallon on Aug. 19, [as reported by the U.S. Energy Information Administration](#).

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

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