



Postal, Paper & Logistics Update

September 2024

In brief: The U.S. Postal Service will *not* be increasing postage rates on market dominant products such as First-Class mail, Marketing mail and periodicals in January 2025, partly in response to declines in inflation. Separately, the USPS has requested temporary rate increases for certain competitive products during the peak holiday season at the end of this year. The possibility of a strike by the International Longshoremen's Association (ILA) at East Coast and Gulf Coast ports threatens to disrupt the freight market. Paper markets remain stable.

Built on our roots as a printer, mail industry partner and logistics leader, Quad is a marketing experience (MX) 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 and get you answers.

Postal

BREAKING NEWS: No rate increases in January 2025, USPS Board of Governors decides

Commercial mailers will not be paying more for postage at the start of the new year in 2025, contrary to initial expectations.

The USPS Board of Governors approved a recommendation from Postmaster General Louis DeJoy to hold the line on market dominant products in January 2025. Market-dominant products include First-Class mail, Marketing mail,

periodicals and package services. In a [news release issued Sept. 20](#), DeJoy attributed the decision to declining inflation.

The move to keep rates steady comes amid growing scrutiny of the 10-year USPS “Deliver for America” transformation plan. At a recent meeting, several members of the Board of Governors expressed concerns about the sustainability of twice-yearly increases and other reform measures. Read some of their comments in our [August Postal, Paper & Logistics Update](#).

Planning for July 2025

In the USPS press release, DeJoy indicated that postage rate increases may resume later in 2025. “We will wait until at least July before proposing any increases for market dominant services,” he said.

Quad projects that the USPS will likely roll-over its available rate authority of 1.532%, based on the Consumer Price Index, for application at the mail class level. For July 2025, our projections are for increases of about 6.5% for compensatory products and 8.5% for non-compensatory products.

However, the July rate increase could also be shaped by the PRC’s ongoing comprehensive review of the rate-setting structure of the Postal Service.

Quad along with many industry groups have strongly advocated for limits on the rate authority of the USPS. Depending on when the PRC completes the review, it could impact the extent of the rate increases proposed by the Postal Service.

Actual increases will not be known unless the USPS files a rate case with the U.S. Postal Regulatory Commission (PRC); also note that increases in individual mailings may exceed the projected ranges.

Temporary increases for the holidays

The USPS plans to [temporarily raise prices](#) on some competitive products, mainly parcels and packages, during the busy holiday season. The increases, approved by the Board of Governors, will begin Oct. 6 and end Jan. 19, 2025.

In a news release, USPS said the goal of the temporary surcharges was to “help cover extra handling costs to ensure a successful peak season.”

The products included in the rate change are:

- Priority Mail Express
- Priority Mail
- USPS Ground Advantage

The increases will affect both commercial and retail prices. A list of all the new pricing is available [here](#).

Miscellaneous updates

- Election officials in all 50 states have joined together to warn that widespread problems with the U.S. mail system could disrupt mail-in voting and effectively disenfranchise voters. In a letter to PMG DeJoy, [The Associated Press reported](#), election administrators said that over the past year, ballots postmarked on time were received days late and could not be counted, and that properly addressed election mail was being returned to them as undeliverable, a problem that could automatically send voters to inactive status. Despite repeatedly reaching, the administrators contend that the USPS has done nothing address their concerns.

- USPS plans to revise service standards and delivery networks for 2025. The changes are designed to save money, according to DeJoy. However, there's concern that the proposal will slow mail delivery in rural areas. More details of the plan will be available once the USPS files a request for an Advisory Opinion on the proposal with the PRC.
- Earlier this month, the USPS Office of Inspector General issued a [white paper](#) on mail volume trends. Among its findings:
 - Annual Market Dominant mail volume fell by 46% between fiscal years (FYs) 2008 and 2023.
 - First-Class mail volume fell 50% over that period, from 92 billion pieces to 46 billion.
 - Marketing mail volume decreased 40%, from 99 billion pieces to 59 billion.
 - Periodical volume fell 65%, from 9 billion pieces to 3 billion.

USPS delivery performance

Overall, the USPS continued to move mail well throughout August and the first week of September. In-home curves, as shown in the chart below, averaged 92% by the end of the target window.

	Week of 8/05	Week of 8/12	Week of 8/19	Week of 8/26	Week of 9/2
Early	27%	27%	31%	25%	20%
Day 1	55%	52%	54%	50%	50%
Day 2	77%	70%	72%	69%	70%
Day 3	91%	79%	85%	84%	81%
Day 4	96%	90%	93%	93%	90%
1 Day Late	98%	93%	94%	95%	91%

Some locations are delayed in processing Flat mail. National Distribution Centers in St. Louis and New Jersey and Sectional Center Facilities (SCFs) in Colorado Springs, Colorado, and Rapid City, South Dakota, all averaged under 70% in-home on time, with mail in most instances running just a day or two late. As we move into October and November, we may see additional delays due to higher catalog volume.

The USPS opened a new Local Processing Center (LPC) in South Houston, Texas, on August 24. This new facility processes mail for some of the Zip Codes that had previously been handled in SCF North Houston. We have seen some delayed processing at both facilities in the early days of the changeover, but nothing severe. Ideally, the USPS will work out the kinks and service will be smooth throughout the fall season.

Hurricane Francine impacted mail delivery Sept. 11-14 in parts of Louisiana. One of the hardest-hit areas was the city of Houma, which experienced storm surge, flooding and strong winds that caused power outages and road closures. New Orleans, Baton Rouge and Lafayette were also affected.

(Note: Quad distributed a Postal Weather Alert regarding this storm. If you did not receive it, please contact your Quad salesperson to get set up to receive future alerts.)

USPS volume

Mail volume for the week ended Sept. 7, compared to last year		
Total Mail Volume	N/A	
Packages	N/A	
Single Piece	Down 1.0%	▼
Presort First Class	Down 3.8%	▼
Marketing Mail	Up 8.2%	▲
Periodicals	Up 39%	▲

Mail volume for the week ended Aug. 31		
Total Mail Volume	Down 15.6%	▼
Packages	Up 5.6%	▲
Single Piece	Down 9.4%	▼
Presort First Class	Up 1.3%	▲
Marketing Mail	Up 6.3%	▲
Periodicals	Down 19%	▼

Mail volume for the week ended Aug. 24		
Total Mail Volume	Up 1.8%	▲
Packages	Up 5.2%	▲
Single Piece	Down 5.1%	▼
Presort First Class	Down 3.9%	▼
Marketing Mail	Down 1.1%	▼
Periodicals	Down 19.6%	▼

Mail volume for the week ended Aug. 17		
Total Mail Volume	Up 1.7%	▲
Packages	Up 3.9%	▲
Single Piece	Down 4.1%	▼
Presort First Class	Up 3.0%	▲
Marketing Mail	Up 6.8%	▲
Periodicals	Down 6.7%	▼

Paper Market

The North American paper market is generally stable with steady pricing.

- The lockout of employees by Canada's two largest railroads, Canadian National (CN) and Canadian Pacific Kansas City (CPKC), was short-lived, as the Canadian Labor Minister ordered the Canada Industrial Relations Board to take actions to end it. These included issuing a back-to-work order, imposing binding arbitration and extending the current collective bargaining agreement until a new one is signed. As of this writing, the Canadian rail system is back to work, but the unions are appealing the decision.
- The Willamette Falls Paper Company mill, in West Linn, Oregon, has indefinitely idled its coated paper machine. Unless they find a prospective buyer for the mill, it could be closed permanently.
- The paper market in North America is otherwise stable, with mill operating rates in the 81% range and paper prices steady.

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Logistics

The United States is experiencing labor disputes of its own that threaten transportation markets.

- Representatives of unionized dockworkers have unanimously supported leadership calls for a strike at U.S. East Coast and Gulf Coast ports if a new contract with employers isn't reached by Oct. 1.
- A lengthy work stoppage could have significant effects on the U.S. economy. The current contract covers six of the 10 busiest U.S. container ports that handle more than 13 million 20-foot equivalent units annually, or as much as 56% of all inbound containers, according to the Retail Industry Leaders Association.
- While the Biden administration was active in labor talks to head off a railroad strike in 2022, the International Longshoremen's Association (ILA) has so far rejected government intervention in bargaining. Industry trade publication FreightWaves [reported](#) that the ILA's "readiness to strike" was the highest since 2012, the last time talks with the United States Maritime Alliance (USMX) reached an impasse.
- One option the government has is to invoke the Taft-Hartley Act, which gives the administration powers to order the ILA back to work while talks resume.

Separately, as of Sept. 9, diesel pricing has trended down nine weeks in a row, taking diesel prices to their lowest levels since Oct. 11, 2021.

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