



Postal, Paper & Logistics Update

January 2025

In brief: The USPS delivered two price-related updates to the mail industry. The logistics market heaved a sigh of relief as a tentative agreement on a new six-year contract between dockworkers and the maritime industry averted a strike. Paper prices are on the rise in Q1.

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 to investigate and get you answers.

Postal

USPS price increases expected through 2027

On Dec. 30, the USPS informed the Postal Regulatory Commission that it intends to raise prices for Market Dominant mail in July 2025 and that, "given our current financial condition," it anticipates using the full available pricing authority for the increases.

The precise rate hikes will be specified in a filing in April. But based on guidance that the USPS gave to the Mailers Technical Advisory Committee (MTAC) meeting in January, Quad estimates the increases at 9.75% for compensatory products and 11.75% for non-compensatory products.

That projected overall increase for July 2025 reflects the larger-than-expected utilization of the USPS Mail Growth incentive program, which handed out \$540 million in credits last year.

During the MTAC meeting, officials indicated that, based on annual “Cap Math,” the success of the Mail Growth Incentive gives the USPS additional authority to recoup those costs. That authority is normally a nominal amount – tenths of a percent. Based on information from the meeting, we currently anticipate a maximum possible increase of 2.3% for Marketing Mail Flats – in addition to standard increases for CPI, Density and Retirement authority.

For this round of price increases, non-compensatory products (costs exceeding revenue) include Marketing Mail Flats but not Carrier Route Flats.

Furthermore, the USPS said in the [filing with the PRC](#) that it expects to implement Market Dominant mail price increases in both January and July in 2026 and 2027, applying “most or all of its pricing authority” depending on financial conditions. Specific numbers will be announced in filings in October and April respectively for each of those years, and all price increases are subject to approval by the USPS Board of Governors.

Several variable factors determine the available rate authority for Market Dominant mail, including the Consumer Price Index (for urban consumers) and adjustments for retirement costs, density and non-compensatory mail.

PRC considering Bound Printed Matter reclassification

In a separate PRC filing on Dec. 20, the USPS proposed eliminating Bound Printed Matter (BPM) Flats and Parcels as a separate mailing classification. BPM products would instead be classified as Marketing Mail, which generally has higher prices.

BPM is a special postal category that offers low rates – usually the least expensive – for qualifying catalogs, books, directories, brochures or other bound printed materials. Prices are based on weight and zone, with a break for mailings of 300 pieces or more. If approved by the PRC, this change would impose higher prices on anyone with mailings in this classification.

In addition to the BPM request, the USPS made a separate filing to raise the maximum weight of Marketing Mail to accommodate bound printed flats and parcels. The earliest this new pricing could take effect is with the July 2025 increases. However, if the PRC approves the request, we believe the change is unlikely before January 2026 to allow the industry time to adapt.

Mail industry associations are mobilizing to oppose the change, which must be approved by the PRC. A few years ago, the USPS filed to make BPM a competitive product, but the PRC denied the request.

USPS Office of Inspector General criticizes transportation initiative

The USPS Office of Inspector General (OIG) recommended changes in the USPS Local Transportation Optimization (LTO) initiative, a key part of the “Delivering for America” strategic transformation plan.

The LTO initiative eliminates evening pickup of outbound mail at all post offices more than 50 miles from the agency’s new mega-centers for processing mail and packages.

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This would include First-Class Mail, which many people use for paying bills, receiving medicine and corresponding with friends and family. Lawmakers and others have expressed concern that the LTO initiative would disproportionately impact rural areas.

To assess how well the initiative has been performing, the OIG audited the 15 locations where LTO was implemented between October 2023 and August 2024.

The [OIG audit report](#) found that the proposed changes worsened delivery service and increased costs and customer complaints. The report states that costs in the 15 areas increased during the period by about \$7.1 million. On the plus side, the audit found that the LTO initiative has done a good job ensuring the security of mail left overnight in post offices. The report recommended that the USPS conduct outreach in the affected areas to notify customers about LTO and the impacts on services. The OIG also recommended that the USPS develop detailed documentation of the cost savings from the LTO initiative with a comparison to planned savings.

As part of Delivering for America, the USPS is seeking to streamline transportation networks to save \$3.6 billion annually. The report includes a letter from the USPS indicating that it agreed with and would implement the OIG recommended changes.

Quad Postal Conference set for April 7-9

As our industry continues to adjust to the difficult realities of rising costs, Quad is again bringing leaders together to discuss strategies for optimizing postal spend and increasing returns on investment.

The next Quad Postal Conference is scheduled for April 7-9 in Milwaukee, Wisconsin. While the agenda is still being finalized, you can expect solution-oriented presentations from Quad experts and peer businesses that also rely on the mail for success.

Conference proceedings will include optional tours of Quad printing and mailing facilities. To learn more, reach out to your Quad sales representative.

USPS delivery performance

December brought some slowing in USPS performance, which is typical due to the high volume of holiday mail and packages. In general, though, the mail moved better during this period than it has in past years. In fact, through the entire fall season, we did not find severe delays — somewhat unusual, as in most years, at least some processing facilities struggle. In 2024, we had some slowing, but most mail was in-home either within the Service Standard or one to two days after.

	Week of 12/9	Week of 12/16	Week of 12/23	Week of 12/30
Early	21%	24%	13%	26%
Day 1	43%	44%	33%	60%
Day 2	62%	62%	53%	79%
Day 3	80%	78%	83%	92%
Day 4	90%	87%	93%	96%
1 Day Late	93%	96%	96%	97%

- **Postal facilities with delays in processing Flat mail in December:**
National Distribution Center (NDC) St. Louis; Sectional Center facilities (SCF) Milwaukee, St. Louis and Birmingham, Alabama; and Regional Processing & Distribution Center (RPDC) Indianapolis.
- **Postal facilities with delays in processing Letter mail in December:**
NDC Chicago; SCF Fort Worth, Texas; and SCF Lexington, Kentucky.

For USPS performance coming off the holidays, volume is still high, but the USPS has shed its holiday labor force. Weather is often impactful, as it was the week of Jan. 6 due to two massive winter storms and the wildfires in the Los Angeles area. And there can also be delayed delivery due to illness, as various viruses hit their peak.

USPS volume

Mail volume for the week ended January 4, 2025 compared to last year		
Total Mail Volume	Down 13.0%	▼
Packages	Up 0.1%	▲
Single Piece	Down 9.1%	▼
Presort First Class	Down 17.9%	▼
Marketing Mail	Up 10.6%	▲
Periodicals	Down 14.1%	▼

Mail volume for the week ended December 28, 2024		
Total Mail Volume	Up 10.7%	▲
Packages	Up 25.9%	▲
Single Piece	Up 3.1%	▲
Presort First Class	Down 6.3%	▼
Marketing Mail	Down 8.9%	▼
Periodicals	Up 38.5%	▲

Mail volume for the week ended December 21, 2024		
Total Mail Volume	Down 2.8%	▼
Packages	Up 5.8%	▲
Single Piece	Up 7.1%	▲
Presort First Class	Down 6.9%	▼
Marketing Mail	Down 11.0%	▼
Periodicals	Down 21.8%	▼

Mail volume for the week ended December 14, 2024		
Total Mail Volume	Down 8.4%	▼
Packages	Up 4.3%	▲
Single Piece	Down 14.8%	▼
Presort First Class	Down 1.5%	▼
Marketing Mail	Up 6.4%	▲
Periodicals	Down 16.7%	▼

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Paper Market

Paper producers have announced a series of changes as 2025 gets underway:

- Uncoated freesheet (UFS) paper producers in North America have announced a 5% price increase on web and sheetfed grades for varying implementation dates in Q1 2025.
- The three major coated freesheet (CFS) paper producers in North America – Sappi, Billerud and ND Paper, have each announced price increases on their web products effective with February deliveries. As announced, CFS paper prices (coated #1, #2 and #3 grades) would increase by about 5%.
- Quad Paper Services is currently reviewing the rationale of these price increases announced by the paper mills and will provide an update in our next newsletter.
- The Port Hawkesbury paper mill, which produces supercalendered paper grades in Nova Scotia, Canada, is proceeding with its 24-turbine wind farm at an estimated cost of \$450 million. This wind farm is expected to produce up to 168 megawatts of electricity – equivalent to up to 60% of the mill's electrical energy. Commercial operations should begin in 2026.

Logistics

The freight market has tightened post-election as President-elect Trump promised new tariffs, leading companies to import goods ahead of Inauguration Day

Fortunately, in early January, the International Longshoremen's Association (ILA) and the United States Maritime Alliance (USMX) reached a tentative agreement that avoids a strike at East and Gulf Coast ports. The deal followed a three-day strike in October that disrupted shipping.

[FreightWaves reported](#) that the new contract split the difference on the major sticking point of automation, with terminal operators and ocean carriers getting broader rights to introduce new equipment and technology they say they need to improve efficiency, and the ILA receiving a guarantee of new jobs linked specifically to each piece of equipment.

Union members must still review and approve the new six-year master contract in the coming weeks. In a joint statement, both sides said they would operate under the current contract until the ratification vote.

The contract covers about 25,000 workers at 14 ports and maritime cargo centers from Boston to Texas.

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

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