



Postal, Paper & Logistics Update

February 2025

In brief: In the wake of Postmaster General Louis DeJoy asking the Board of Governors of the United States Postal Service to begin a search for his successor, there are conflicting reports about the future control of the agency. Political campaign mail helped the U.S. Postal Service reduce its losses in its fiscal first quarter ended Dec. 31, but the agency's long-term financial health remains uncertain. Price increases on certain paper products started going into effect this month. The logistics market appears to be stabilizing, with a few caveats.

As you may be aware, an executive order was issued on Feb. 1, 2025, that imposed a 10% tariff on Chinese imports and a 25% tariff on materials provided by Canada and Mexico, effective Feb. 4. Although the U.S. government delayed the implementation of at least some of these tariffs on Feb. 3 (a 30-day freeze on tariffs against Canada and Mexico), we have begun planning on how to address these additional costs. In addition, the U.S. government has been threatening additional potential tariffs on other countries.

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 the answers you need.

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Postal

There are conflicting reports about the future control of the United States Postal Service. [The Washington Post reported](#) on Feb. 20 that President Trump was considering an executive order to dissolve the Board of Governors of the USPS and take control of the agency. The [Wall Street Journal added](#) that a White House official denied such an order was in the works.

The news came in the wake of Postmaster General Louis DeJoy announcing that he plans to step down. [In a Feb. 17 letter](#), he asked the Board of Governors to begin a search for his successor.

Quad is closely monitoring these developments. Stay tuned.

The USPS posted net income of \$144 million in the fiscal first quarter of FY2025 (Oct. 1, 2024-Dec. 31, 2024). That compares to a net loss of \$2.1 billion in the same period last year.

While the USPS credited a substantial part of the improved results to “the success of strategic initiatives under the ‘Delivering for America’ (DFA) plan,” industry observers pointed to the revenue boost provided by political mail during the fall election season. In addition, the first quarter is typically the agency’s strongest period thanks to holiday mail.

USPS first-quarter revenue jumped \$885 million to \$22.5 billion, 4% higher than the same period last year.

FY2025 Q1 saw volume declines across several mail classes and products, while revenue increased for all thanks to higher rates:

- **Marketing Mail volume** grew by 1.1 million pieces or 7.0% to 16.6 billion pieces; **revenue** rose 10.9% to \$4.6 billion.
- **First Class volume** fell by 464 million pieces or 3.9% to 11.4 billion pieces; **revenue** increased 4.2% to \$7.0 billion.
- **Package volume** dropped 19 million pieces or 0.9% to 2.01 billion pieces; **revenue** increased 3% to \$9.4 billion.
- **Periodicals volume** decreased 48 million pieces or 6.6% to 681 million pieces; **revenue** increased 1.7% to \$242 million.

The net income number excluded the non-cash workers’ compensation (NCWC) adjustment. Including that, the USPS posted a net loss of \$482 million for the 2025 quarter compared to a loss of \$903 million the year before. For more details, read the USPS Q1 earnings announcement [here](#).

Postal Regulatory Commission strongly criticizes USPS network reconfiguration plans

The Postal Regulatory Commission (PRC) is advising the USPS to rethink its plans to reconfigure its delivery network, a key part of the agency’s Delivering for America plan.

In a [news release](#) announcing its advisory opinion (which is more than 300 pages long), the PRC acknowledged that change is essential to ensure the USPS’s future viability, but it charged that the agency “is irreversibly changing its network without laying a foundation for success.” Specifically, the commission said that its in-depth analysis of the proposed changes raised serious questions:

- “First, the Postal Service’s plan depends on defective modeling and does not appear to be ready for implementation.”
- “Second, the Postal Service relies on overly optimistic and unsubstantiated financial projections for cost savings that are not likely to improve the financial health of the Postal Service.”
- “Third, the Postal Service’s proposal has significant negative impacts on rural communities throughout the United States.”

While the USPS maintains that mail service standards won’t suffer as a result of the changes, the PRC pointed out that there have been declines in performance in Atlanta and Richmond, Va., where the network has already been reconfigured. The agency’s Office of Inspector General has also raised this concern, [as Supply Chain Dive reports](#).

Postmaster General Louis DeJoy [criticized](#) the PRC’s criticism during the USPS Board of Governors’ meeting Feb. 6, saying that the Board of Governors could not “allow paralysis by analysis, or to continue to fiddle while Rome burns.” He maintained the reconfiguration will yield “net positive results for mailers.”

The PRC’s opinion is advisory only.

USPS union rejects new contract

The National Association of Letter Carriers (NALC) in late January [rejected](#) the tentative 2023-2026 bargaining agreement with the USPS by a wide margin. More than two-thirds of active members voted against ratification. On Feb. 19, the NALC Executive Council [announced](#) it had voted unanimously not to agree to terms with USPS that would have resulted in a second ratification vote. The USPS and the union will now go to binding arbitration over the terms of a new agreement.

Arbitration could lead to the USPS paying more to letter carriers because the arbitrator does not have to factor in the agency’s financial condition when making his or her decision. It appears the American Postal Workers Union (APWU) is also on track to binding arbitration as negotiation deadlines for them have also passed.

Miscellaneous

- In an email to those who registered for the Mail Growth Incentive, the USPS said it had audited the 2024 incentive data previously presented in the Mailing Promotions Portal to ensure every customer receives accurate postage credits. It said it found that some customers had earned postage credit amounts that were too high and some too low. The USPS is reaching out to customers with large discrepancies. Mail owners with questions should contact the USPS at mailgrowthincentive@usps.gov. The USPS will only discuss the variances with an affected customer.
- Some mail customers are reportedly seeing that promotion add-ons are not being calculated correctly in the [PostalOne!](#) system. The USPS is aware and is undertaking data repair.
- USPS Chief Customer & Marketing Officer Steve Monteith indicated that the Operations Integration & Performance Excellence team is focusing on the following known trouble areas:

- New Orleans
- Atlanta Regional Processing and Distribution Center (RPDC)
- Jackson, Michigan
- Indianapolis RPDC
- Louisville, Kentucky
- Next Mailers Technical Advisory Committee (MTAC) meetings are March 11 and 12.
- The PRC has approved the Competitive price change, which became effective Jan. 19. The order can be found [here](#).
- The Industry Alert on the new sorting and delivery centers (S&DCs) activated on Feb. 22 can be found [here](#).

USPS delivery performance

USPS performance in early January was a bit delayed, which is not unusual coming off the holiday season. The volume of catalog mail was still high after the peak parcel season, and it often takes the USPS several weeks to recover from peak.

The Los Angeles fires affected mail delivery to the specific Zip Codes where the fires occurred, but did not cause a measurable impact to overall in-home curves.

Winter storms caused some delays in facilities in Louisiana, Arkansas, Kentucky, Tennessee and parts of Florida.

	Week of 1/6	Week of 1/13	Week of 1/20	Week of 1/27	Week of 2/3
Early	14%	15%	16%	21%	28%
Day 1	39%	40%	41%	45%	58%
Day 2	52%	58%	58%	67%	77%
Day 3	72%	78%	73%	85%	90%
Day 4	78%	90%	85%	93%	96%
1 Day Late	88%	92%	85%	96%	97%

The greatest delays in mail processing over the last few weeks were in Indianapolis. The USPS moved processing of mail from an Annex facility to the RPDC earlier than the Feb. 1 implementation date. This caused confusion with trucks going into the city and delays in processing that continue through this writing.

Additional postal facilities that experienced delays in processing mail in January: St. Louis, National Distribution Center (NDC) Chicago and Wichita, Kansas.

USPS volume

Mail volume for the week ended February 15, compared to last year		
Total Mail Volume	Down 6.9%	▼
Packages	Down 6.0%	▼
Single Piece	Down 3.6%	▼
Presort First Class	Down 4.1%	▼
Marketing Mail	Down 9.9%	▼
Periodicals	Down 8.1%	▼

Mail volume for the week ended February 8		
Total Mail Volume	Down 20.4%	▼
Packages	Down 4.3%	▼
Single Piece	Down 5.3%	▼
Presort First Class	Down 10.2%	▼
Marketing Mail	Up 1.2%	▲
Periodicals	Up 9.7%	▲

Mail volume for the week ended February 1		
Total Mail Volume	Down 12.6%	▼
Packages	Up 0.2%	▲
Single Piece	Down 7.9%	▼
Presort First Class	Down 17.0%	▼
Marketing Mail	Down 19.4%	▼
Periodicals	Down 28.7%	▼

Mail volume for the week ended January 25		
Total Mail Volume	Down 15.6%	▼
Packages	Down 13.3%	▼
Single Piece	Down 21.9%	▼
Presort First Class	Down 6.4%	▼
Marketing Mail	Up 7.9%	▲
Periodicals	Down 29.2%	▼

Mail volume for the week ended January 18		
Total Mail Volume	Up 45.0%	▲
Packages	Up 14.7%	▲
Single Piece	Up 11.0%	▲
Presort First Class	Down 0.9%	▼
Marketing Mail	Down 16.3%	▼
Periodicals	Up 12.1%	▲

Mail volume for the week ended January 11		
Total Mail Volume	Down 12.1%	▼
Packages	Down 15.2%	▼
Single Piece	Down 15.5%	▼
Presort First Class	Up 0.01%	▲
Marketing Mail	Down 5.8%	▼
Periodicals	Down 11.3%	▼

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Paper Market

- Sappi began transitioning 235,000 tons per year of coated freesheet production to boxboard production in late January.
- The three major coated freesheet producers in North America — Sappi, Billerud and ND Paper — have announced price increases on their web products effective with February deliveries.
- Producers of uncoated freesheet grades in North America have announced price increases on their web and sheetfed products, with varying implementation dates between February and April.

In all cases, Quad is actively negotiating with the mills to determine the exact amount and timing of the increases.

Logistics

Overall, February has been a fairly favorable environment for shippers, though logistics markets continue to react to changing weather around the country and to both potential and actual tariffs. We anticipate the market will continue to stabilize as long as the weather cooperates, and pending continued changes to the tariff environment. Additional considerations:

- California continues to see transportation service struggles after the recent wildfires.
- Canada has begun to see some tightness due to carriers and customs brokers reacting to the possibility of new tariffs.
- Mexico has started to experience border delays in certain areas.

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

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