



Postal, Paper & Logistics Update

March 2024

In brief: The U.S. Postal Service has reported first-quarter results for the government fiscal year, while President Biden has nominated his former labor secretary to a seat on the Board of Governors. In logistics, the March 26 collapse of the Francis Scott Key Bridge in Baltimore is prompting official warnings of “a major and protracted impact to supply chains.” Abroad, though Houthi rebel attacks have eased, many container ships continue to choose longer and safer routes. Meanwhile, paper markets continue experiencing changes in pricing and capacity.

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 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

The U.S. Postal Service generated slightly more revenue but lost more money in the first quarter of government fiscal year 2024 than it did a year ago. The service cited the continued effects of rising inflation along with non-cash workers’ compensation expenses and unfunded retiree pension liabilities as factors in its reported \$2.1 billion net loss. The bottom-line result compares to a net loss of \$1 billion in the October-to-December period in fiscal year 2023.

Total operating revenue grew 0.5% during the first quarter, to \$21.6 billion, helped by increasing revenue from the Shipping and Packages category. The Postal Service delivered 98 million more shipments and packages during the period, an increase of 5.1% over 2023's first fiscal quarter.

Those gains, however, were more than offset by significant volume declines in Market Dominant mail — primarily in the marketing mail category. Marketers sent 2.4 billion fewer pieces of mail during the first quarter compared to a year ago, a decline of 13.5%, which the Postal Service attributed to a drop-off in political and election mail as voters chose local rather than federal candidates. While First Class mail volumes fell by 704 million pieces, or 5%, revenue increased by 2.6% or \$171 million.

Factoring out the cyclical impacts, the Postal Service said that Marketing Mail would have swung to a revenue increase of \$40 million, though volume declines would still have shown a reduction of 1.1 billion pieces or 6.2% over 2023's fiscal first quarter.

A summary of the first quarter fiscal year 2024 results:

- Overall revenue grew \$115 million or 0.5%.
- First Class Mail volume decreased by 704 million pieces, a 5.6% reduction, while revenue grew by \$171 million to \$6.7 billion.
- Marketing Mail volume decreased by 2.4 billion pieces, down 13.5%, as revenue fell \$235 million to \$4.1 billion.
- Periodicals volume decreased 69 million pieces, an 8.6% drop, with revenue falling by \$2 million to \$238 million.
- Shipping and Packages volume increased by 98 million pieces, or 5.1%, helping revenue grow \$240 million or 2.7%.

The USPS said it reduced work hours by 8 million during the first quarter in a continuing effort to control expenses. However, the USPS reported an increase in expenses of \$1.1 billion, or 4.9%, to \$23.8 billion. Postal leaders attributed the increases to “uncontrollable costs” such as retiree pension benefits and workers’ compensation expenses. Without those costs, the Postal Service says it would have reduced costs by \$218 million or 1%.

In prepared remarks to the Postal Service Board of Governors, Postmaster General Louis DeJoy cited other cost initiatives, such as “minimizing peak season staffing, continuing to shift ... air volume to ground transportation, the elimination of unnecessary or underutilized transportation trips, the closing of annexes rather than the adding of ones, and substantial reduction of redundant processes deployed in the past to muscle through activities.”

He also said the Postal Service was impacted during the period by a hazardous materials incident that shut down a “major gateway processing plant” for almost two weeks.

DeJoy also highlighted:

- Continued rollout of new Regional Processing and Distribution Center regions, ongoing in Richmond, Atlanta, Charlotte, Chicago, Portland and Boise, with three more planned for 2024 in Indianapolis, Jacksonville and Houston.
- Progress toward the opening of 40 Sorting and Delivery Centers by the end of 2024; about three-quarters of those went active in 2023.

- Initiation of plans for modernizing the Postal Service fleet of vehicles. DeJoy said the Postal Service expects to acquire 30,000 new vehicles this year, with a third of them being electric.

More information on the [Postal Service's financial results](#) for Q1 of FY 2024 is available here. Click here to read [Postmaster General DeJoy's remarks](#).

Miscellaneous updates:

President Biden has nominated Marty Walsh, former U.S. Secretary of Labor and Mayor of Boston, as a member of the Board of Governors for the U.S. Postal Service. Walsh currently serves as Executive Director of the National Hockey League Players' Association and served as a labor leader in Boston before his election to the Massachusetts House of Representatives in 1997.

USPS delivery performance

	Week of 2/5	Week of 2/12	Week of 2/19	Week of 2/26
Early	19%	32%	23%	31%
Day 1	44%	60%	63%	60%
Day 2	74%	81%	79%	80%
Day 3	89%	90%	87%	90%
Day 4	96%	95%	93%	96%
1 Day Late	97%	98%	94%	98%

No postal facilities were delayed in any significant way in the processing of letter mail over the last month. NDC and SCF St. Louis and Cheyenne, Wyoming, were delayed in processing "flat mail" throughout February.

More recently, we have seen some serious delays in the Atlanta area. The NDC closed Feb. 24 with operations moving to the new RPDC (Regional Processing Distribution Center). Some mail delivered just before and just after the move has been delayed for up to three weeks. Mail delivered to the RPDC March 1 and later is also delayed, but only by a few days. We have also seen some delays out of the SCFs in that area: Atlanta, North Metro and Macon.

The USPS plans to continue to transition to its new operational structure of RPDCs and LPCs (Local Processing Centers) throughout 2024 and into 2025. We will monitor USPS performance as these changes occur and try to work with the USPS to correct any delays that we detect. The South Houston LPC is set to open March 23, taking on processing of some of the mail that is currently handled by North Houston. The software that drives mail preparation, though, will not be updated by the USPS until April 1. We fear that this may cause processing delays in the facilities in late March and early April.

USPS volume

Mail volume for the week ended March 1, compared to last year		
Total Mail Volume	Down 5.1%	▼
Packages	Down 2.2%	▼
Single Piece	Down 10.7%	▼
Presort First Class	Down 4.8%	▼
Marketing Mail	Down 1.1%	▼
Periodicals	Up 1.8%	▲

Mail volume for the week ended February 24		
Total Mail Volume	Up 1.6%	▲
Packages	Down 2.1%	▼
Single Piece	Down 4.0%	▼
Presort First Class	Down 2.8%	▼
Marketing Mail	Down 0.8%	▼
Periodicals	Down 18%	▼

Mail volume for the week ended February 17		
Total Mail Volume	Down 1.1 %	▼
Packages	Down 1.1%	▼
Single Piece	Down 4.7%	▼
Presort First Class	Up 4.2%	▲
Marketing Mail	Down 3.2%	▼
Periodicals	Down 23.1%	▼

Mail volume for the week ended February 10		
Total Mail Volume	Up 3.7%	▲
Packages	Down 4.3%	▼
Single Piece	Down 5.5%	▼
Presort First Class	Down 1.4%	▼
Marketing Mail	Down 0.1%	▼
Periodicals	Down 6.0%	▼

Mail volume for the week ended February 3, compared to last year		
Total Mail Volume	N/A	
Packages	N/A	
Single Piece	Down 2.0%	▼
Presort First Class	Up 1.8%	▲
Marketing Mail	Up 9.8%	▲
Periodicals	Up 20.4%	▲

Mail volume for the week ended January 27		
Total Mail Volume	Down 5.6%	▼
Packages	Up 12.2%	▲
Single Piece	Down 6.3%	▼
Presort First Class	Down 3.0%	▼
Marketing Mail	Down 4.1%	▼
Periodicals	Up 26.5%	▲

Mail volume for the week ended January 20		
Total Mail Volume	N/A	
Packages	N/A	
Single Piece	Down 17.4%	▼
Presort First Class	Down 0.3%	▼
Marketing Mail	Down 10.7%	▼
Periodicals	Up 37.6%	▲

Quad

Paper Market

- Producers of uncoated freesheet and opaque grades of paper have announced a price increase of 5% to 7% for April. Quad is currently negotiating this increase with paper suppliers, and the efficacy of these announced increases is yet to be determined.
- Domtar (Paper Excellence) has announced indefinite curtailment of paper machine A62 at its Ashdown, Arkansas, paper mill by June 2024. This mill produced uncoated freesheet and opaque grades of paper.
- Catalyst (Paper Excellence) has indefinitely idled operations at its paper and pulp mill in Crofton, British Columbia. This mill produced newsprint and packaging grades of paper across two pulp lines.
- Prices for wood pulp to make paper are on the rise again. This has a direct impact to the costs of making paper for those mills that are not fully integrated for their pulp supply. Integrated mills can convert round wood into pulp, and then into paper. Non-integrated mills rely on dried pulp purchased from the integrated mills or from the pulp market.

Logistics

Just before 1:30 a.m. on March 26, a 948-foot-long container ship, called Dali, hit the Francis Key Scott Bridge in Baltimore, causing the bridge to collapse. Early reports are that the Dali lost power shortly after leaving the port of Baltimore, causing the ship to lose control of its engines and steering. Due to the collapse, the Port of Baltimore is now closed “until further notice” to inbound and outbound vessel traffic. U.S. Transportation Secretary Pete Buttigieg and the Biden Administration have vowed to rebuild the bridge, but “there is no question that there will be a major and protracted impact to supply chains. It’s too soon to offer estimates on what it will take to clear the channel and reopen the port,” Buttigieg said.

At this time, the Port of Baltimore is open to truck traffic, and containers that had been unloaded are able to be delivered inland, while container ships that were planning to unload at the Port of Baltimore have been rerouted to other ports.

At this time, deliveries of customer product have not been impacted and we are routing imported goods to other ports so that customers are not affected. The near-term localized impacts will be traffic into and out of the Baltimore area, but we will also be watching how other ports are able to handle the volumes that the Port of Baltimore was handling – as this could have a ripple effect to global supply chains until the Port of Baltimore is able to reopen. We will continue monitoring the situation closely.

Abroad, the Houthi rebel attacks have subsided slightly, but most container ships are still choosing to divert to longer routes. Chinese New Year, a public holiday that lasts one week in China, ran from Feb. 10 to Feb. 17 this year. This holiday can be very disruptive for global supply chains due to the amount of products imported from China around the globe. At Quad, we have been able to successfully plan ahead to avoid delays in raw materials due to these global supply chain concerns.

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

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