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*(parent of WPG Shippers Association)*

Date: February 17, 2016

Subject: **WPG's 2015 In Review**



The downturn trend of 2014 continued for the Wisconsin Paper Group thru the better part of 2015 as budget expectations were not met. Compelling factors included higher transportation costs, lower fuel surcharge revenue and unanticipated lower tonnage levels.

Management's #1 goal in 2015 was regaining customer confidence. The nationwide shortage of drivers put WPG in the futile position of not having adequate capacity to move all of the freight tendered. This was seen as performance failures by our customers. Our strategy was to recruit additional and capable carriers knowing we had to "pay to play." We also revamped our core carrier base to have sufficient coverage to major and growth shipping lanes. This resulted in capable capacity but at inflated rates to move the freight.

Global economic and political conditions have pushed crude oil prices down considerably in 2015. While this is good for the consumer, it caused a negative effect on WPG's operating income. WPG's fuel surcharge dollars dropped significantly, but equally, in both operating income and operating expenses. This in turn did not impact gross profit percentage. But operating profit (loss) is calculated against the revenue line. WPG's revenue is lower than expectations for the year due to a combination of less tons and reduced fuel surcharges. While fuel surcharge revenue may be a false indicator of operating income, it still must be reported on the Income Statement.

At midyear WPG's management put in place corrective plans to return the company to positive financial results. Our internal goals included being more cost conscience and servicing our Members. WPG has a compelling history of success with our customers, in both service and price. By marketing our strengths, targeting befitting new tonnage and pursuing past accounts, WPG realized a strong volume rebound for the 4<sup>th</sup> quarter and into the new year.

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