Postal Regulatory Commission
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UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

☑ QUARTERLY REPORT PURSUANT TO 39 U.S.C. §3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2022

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C. (State or other jurisdiction of incorporation or organization)	41-0760000 (I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C. (Address of principal executive offices)	20260 (ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The number of shares of common stock outstanding as of May 5, 2022: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
Revenue:				
Operating revenue	$ 19,786	$ 18,890	$ 41,079	$ 40,385
Other revenue	16	15	27	18
Total revenue	**19,802**	**18,905**	**41,106**	**40,403**
Operating expenses:				
Compensation and benefits	12,675	12,321	26,075	25,600
Retirement benefits	1,905	1,789	3,821	3,580
Retiree health benefits	1,325	1,200	2,650	2,400
Workers’ compensation	(783)	(1,260)	(125)	(1,538)
Transportation	2,361	2,344	5,201	4,945
Other operating expenses	2,930	2,561	5,614	5,115
Total operating expenses	**20,413**	**18,955**	**43,236**	**40,102**
(Loss) income from operations	**(611)**	**(50)**	**(2,130)**	**301**
Interest and investment income	10	7	20	15
Interest expense	(38)	(39)	(76)	(80)
Net (loss) income	**$ (639)**	**$ (82)**	**$ (2,186)**	**$ 236**

See accompanying notes to the unaudited financial statements.

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2022	September 30, 2021
	(unaudited)	
Current Assets:		
Cash and cash equivalents	$ 23,688	$ 23,858
Restricted cash	825	449
Receivables, net (less allowances of $130 and $134)	1,438	1,412
Supplies, advances and prepayments	256	189
Total current assets	**26,207**	**25,908**
Property and equipment, net	14,777	14,778
Operating lease right-of-use assets	5,364	5,070
Other assets	660	649
Total assets	**$ 47,008**	**$ 46,405**
Current Liabilities:		
Compensation and benefits	$ 4,151	$ 3,810
Retirement benefits	16,557	14,915
Retiree health benefits	59,625	56,975
Workers' compensation	1,299	1,325
Payables and accrued expenses	2,533	2,523
Deferred revenue-prepaid postage	2,489	2,623
Operating lease liabilities	1,391	1,336
Customer deposit accounts	1,189	1,194
Other current liabilities	2,060	1,628
Short-term debt	1,000	1,000
Total current liabilities	**92,294**	**87,329**
Workers' compensation, noncurrent	15,424	16,849
Operating lease liabilities, noncurrent	4,085	3,847
Employees' accumulated leave, noncurrent	2,270	2,334
Other noncurrent liabilities	801	1,726
Long-term debt	10,000	10,000
Total liabilities	**124,874**	**122,085**
Net Deficiency:		
Capital contributions of the U.S. government	13,132	13,132
Deficit since 1971 reorganization	(90,998)	(88,812)
Total net deficiency	**(77,866)**	**(75,680)**
Total liabilities and net deficiency	**$ 47,008**	**$ 46,405**

See accompanying notes to the unaudited financial statements.

UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2021

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2020	**$ 3,132**	**$ (83,840)**	**$ (80,708)**
Cumulative effect adjustment for adoption of new accounting pronouncement	—	(42)	(42)
Net income	—	318	318
Balance, December 31, 2020	**$ 3,132**	**$ (83,564)**	**$ (80,432)**
Capital contributions of the U.S. government	8,649	—	8,649
Net loss	—	(82)	(82)
Balance, March 31, 2021	**$ 11,781**	**$ (83,646)**	**$ (71,865)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2022

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2021	**$ 13,132**	**$ (88,812)**	**$ (75,680)**
Net loss	—	(1,547)	(1,547)
Balance, December 31, 2021	**$ 13,132**	**$ (90,359)**	**$ (77,227)**
Net loss	—	(639)	(639)
Balance, March 31, 2022	**$ 13,132**	**$ (90,998)**	**$ (77,866)**

See accompanying notes to the unaudited financial statements.

UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
Cash flows from operating activities:		
Net (loss) income	$ (2,186)	$ 236
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	827	837
(Gain) loss on disposals of property and equipment, net	(10)	9
Increase in operating lease right-of-use assets	(294)	(2)
Increase in other assets	(11)	(15)
Decrease in noncurrent workers' compensation	(1,425)	(2,827)
Decrease in noncurrent deferred appropriations and other revenue	(2)	(1)
Increase in noncurrent operating lease liabilities	238	9
Decrease in other noncurrent liabilities	(1,014)	(345)
Changes in current assets and liabilities:		
Receivables, net	(26)	(80)
Other current assets	(67)	(15)
Retirement benefits	1,642	1,628
Retiree health benefits	2,650	2,400
Payables, accrued expenses, and other	703	1,185
Operating lease liabilities	55	(31)
Deferred revenue-prepaid postage and other deferred revenue	(135)	83
Net cash provided by operating activities	**945**	**3,071**
Cash flows from investing activities:		
Purchases of property and equipment	(787)	(969)
Proceeds from sales of property and equipment	62	8
Net cash used in investing activities	**(725)**	**(961)**
Cash flows from financing activities:		
Payments on finance lease obligations	(14)	(16)
Contributions of the U.S. government	—	8,649
Net cash (used in) provided by financing activities	**(14)**	**8,633**
Net increase in cash, cash equivalents & restricted cash	206	10,743
Cash, cash equivalents & restricted cash - beginning of period	24,307	14,712
Cash, cash equivalents & restricted cash - end of period	**$ 24,513**	**$ 25,455**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 74	$ 75

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("U.S.") ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2021 included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 10, 2021, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2022 and 2021.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2022, the results of operations for the three and six months ended March 31, 2022 and 2021, the changes in net deficiency for the three and six months ended March 31, 2022 and 2021, and the cash flows for the six months ended March 31, 2022 and 2021. Operating results for the three and six months ended March 31, 2022 are not necessarily indicative of the results that may be expected for all of 2022. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Postal Service Reform Legislation

On April 6, 2022, the President signed the *Postal Service Reform Act of 2022* ("PSRA"), enacted as Public Law 117-108. The enactment of this legislation impacts the Postal Service's financial statements as it repeals the requirement that the Postal Service annually prepay future retiree health benefits and cancels all past due prefunding payments.

However, as the legislation went into effect on April 6, 2022, it did not change the conditions surrounding the Postal Service's accounting for retiree health benefits as of March 31, 2022, and, therefore, has no impact on the accompanying unaudited financial statements. The repeal of the prefunding for retiree health benefits and cancellation of the past due payments will be reflected as a reduction of $59.6 billion in the *Retiree health benefits* liability in the unaudited balance sheet as of June 30, 2022, and a benefit of $59.6 billion to net income in the unaudited statements of operations for the three and nine months ended June 30, 2022.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Standards Update 2021-10 *Disclosures by Business Entities about Government Assistance*

In November 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-10 *Disclosures by Business Entities about Government Assistance*, which has since been codified in Accounting Standards Codification ("ASC") 832, *Government Assistance* ("ASC 832"). The new standard establishes disclosure requirements to increase the transparency and comparability of government assistance received by an entity. These requirements include: 1) the types of assistance; 2) an entity's accounting for the assistance; and 3) the effect of the assistance on an entity's financial statements.

The Postal Service intends to adopt ASC 832 for its 2023 fiscal year (beginning October 1, 2022) and the quarters therein. However, the Postal Service generally does not receive material government assistance. Furthermore, given the Postal Service's status as an independent establishment of the executive branch, in instances where material government assistance has been received, such transactions already require disclosure under ASC 850, *Related Parties*. As such, the Postal Service does not expect the adoption to have a significant impact on its disclosures.

NOTE 3 - LIQUIDITY

The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus authorized borrowing capacity under the *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA").

<u>Cash</u>

The Postal Service generates its cash almost entirely from the sale of postal products and services. The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Treasury.

In March 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*") in response to the coronavirus ("COVID-19") pandemic. The *CARES Act* offered certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages from March 27, 2020 through December 31, 2020. In accordance with this provision, the Postal Service had originally deferred approximately $1.8 billion as of December 31, 2020. One half of these deferred payments was due and paid on December 31, 2021. The other half is due by December 31, 2022 and is recorded within *Compensation and benefits* in the accompanying *Balance Sheets*.

As of March 31, 2022 and September 30, 2021, the Postal Service held unrestricted cash and cash equivalents of approximately $23.7 billion and $23.9 billion, respectively.

The Postal Service also holds restricted cash that is not considered part of its liquidity. Restricted cash represents the Postal Service's cash that is not available for general use, including:

- Funds originated from forfeitures or seizures due to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition;
- Funds received for revenue under the Postal Service's retirement-based pricing authority, a price increase authorized by the PRC, under which any incremental funds received must be remitted to the U.S. Office of Personnel Management ("OPM") for amortization payments;
- Funds designated for specific use due to congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General; or
- Funds that are otherwise restricted.

As of March 31, 2022 and September 30, 2021, the Postal Service held restricted cash of $825 million and $449 million, respectively.

<u>Debt</u>

The PRA authorizes the Postal Service to raise cash through the issuance of debt obligations. The PRA requires the Postal Service to notify the Secretary of the Treasury of its intent to issue debt and to allow the U.S. Treasury the first option to purchase such obligations. However, if the Secretary of the Treasury elects not to purchase such obligations, the PRA authorizes the Postal Service to issue and sell such obligations to a party or parties other than the U.S. Treasury, which may include a transaction in the public or private debt markets. Under the PRA, the Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion.

As of both March 31, 2022 and September 30, 2021, the aggregate principal of all debt outstanding was $11.0 billion, all of which was issued to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. Of this amount, $1.0 billion was recorded within *Short-term debt* in the accompanying *Balance Sheets,* representing a fixed-rate note that was repaid on April 15, 2022. The remaining $10.0 billion relating to a combination of fixed-rate and floating-rate notes with various maturities is recorded as *Long-term debt* in the accompanying *Balance Sheets*.

As of March 31, 2022, the Postal Service had $4.0 billion in remaining borrowing capacity under the PRA, though it is still limited by statute, as noted above. This borrowing capacity subsequently increased to $5.0 billion with the repayment of the $1.0 billion debt on April 15, 2022.

Liquidity Concerns

The Postal Service continues to face systemic imbalances that make its current operating model unsustainable. As communicated in the *Delivering for America* plan that was published in March 2021, the Postal Service is implementing strategic operational reforms to meet the changing needs of its business and residential customers. While the enactment of the PSRA is a critical component of the plan, the success of the plan still requires management initiatives and administrative change to retiree benefit funding rules determining how OPM apportions the costs for Civil Service Retirement System ("CSRS") benefits. Absent such administrative change and the timely implementation of management initiatives, including operational reforms and other plan elements, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service may not have sufficient liquidity to meet all of its existing legal obligations when due while also repaying its maturing debt and making the critical infrastructure investments that have been deferred in recent years.

Furthermore, while the Postal Service may issue debt obligations within its statutory borrowing authority, it has no assurance that it would be able to raise additional cash through new debt financing with the FFB or from other lenders, or that such financing would be provided on terms comparable to those applicable to its prior debt issuances.

Business Model Challenges and Constraints

The Postal Service is constrained by laws and regulations, which restrict revenue sources and mandate certain expenses.

The Postal Service offers two categories of services, which are classified by the *Postal Accountability and Enhancement Act of 2006* ("PAEA"), enacted as Public Law 109-435, as Market-Dominant and Competitive "products." However, throughout this report, the term "services" is used for consistency with other descriptions of services offered by the Postal Service.

Market-Dominant services, which include, but are not limited to, *First-Class Mail*, *Marketing Mail*, *Periodicals,* and certain parcel services, accounted for approximately 55% of the Postal Service's annual operating revenues in 2021. Market-Dominant services are subject to a price cap system. Prices in effect for most of 2021 were limited by the Consumer Price Index for All Urban Consumers ("CPI-U"). In November 2020, the PRC modified the price cap system by providing some additional pricing flexibility and authority. Under this authority, the Postal Service raised prices on Market-Dominant services by 6.8% on August 29, 2021.

Unlike the prices for Market-Dominant services, the Postal Service's costs are not similarly constrained or capped. While the Postal Service received additional pricing authority, as discussed above, this authority is only expected to partially offset the effect of declining mail volume and growing delivery points, and may not be able to offset our increasing costs. Moreover, the Postal Service is constrained by law, or by contract, from reducing many of its costs or from pursuing many alternate sources of revenue. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation and the various legislative and administrative requirements impacting its employee and retiree benefit costs. While, effective April 6, 2022, the PSRA eliminated the unique obligation to prefund the statutorily mandated retiree health benefit program, other mandatory retirement benefit costs are still imposed on the Postal Service.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, which are linked to inflation, as well as employee health benefit premium increases and statutorily mandated retirement and workers' compensation programs, which have generally increased at a rate higher than inflation in recent years. See *Note 8 - Retirement Plans*, *Note 9 - Health Benefits Plans,* and *Note 10 - Workers' Compensation* in this document for further information on statutorily mandated costs.

Further, the number of delivery points continues to grow by more than one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.0 pieces in 2021, a decline of approximately 46%.

COVID-19 Considerations
Pandemic-related pressures continue to have a material impact on the Postal Service's business and further compound its existing business model challenges.

The pandemic has had a sustained effect on customer demand, exacerbating the historic volume trends and resulting in lower mail volumes and higher Shipping and Package volumes than pre-pandemic levels. While prices for Shipping and Packages are set at rates that maximize revenue and cover attributable costs (direct and indirect costs attributable to such products), Shipping and Packages produces a lower contribution margin per revenue dollar due to higher associated labor and transportation expenses.

The pandemic has also had a significant impact on the Postal Service's operating expenses, beyond the impact of the increased package volume. General economic conditions, which have been impacted by the pandemic and other geopolitical and global economic factors, have created inflationary pressures resulting in higher compensation costs, higher transportation costs, and higher fuel costs.

While the U.S. economy continues to recover, that recovery has been slowed by the emergence of several COVID-19 variants. The Postal Service expects that its liquidity may worsen if the nation experiences a prolonged period of disruption, or if package volume were to return to pre-pandemic levels.

Past Due Obligations
In order to preserve liquidity and ensure that its ability to fulfill its primary mission is not placed at undue risk, the Postal Service has not made certain payments to the CSRS and the Federal Employees Retirement System ("FERS") for certain retirement benefits, nor has it made certain payments to the Postal Service Retiree Health Benefit Fund ("PSRHBF") for certain retiree health benefit programs.

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2021 and the fiscal years in which the accruals were recorded:

(in millions)	**2021**	**2020**	**2019**	**2012 to 2018**	**Total**
PSRHBF prefunding fixed amount	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	907	810	789	1,770	4,276
Normal cost of retiree health benefits	4,203	3,850	3,775	6,971	18,799
CSRS unfunded retirement benefits amortization	1,858	1,817	1,617	3,181	8,473
FERS unfunded retirement benefits amortization	1,401	1,343	1,060	2,370	6,174
Total expenses accrued but unpaid	**$ 8,369**	**$ 7,820**	**$ 7,241**	**$ 48,192**	**$ 71,622**

As of the date of this report, the Postal Service has not incurred any penalties or negative financial consequences as a result of not making these payments. Furthermore, effective April 6, 2022, the PSRA cancelled the above PSRHBF and normal cost amounts, as described in *Note 1 - Basis of Presentation*.

Mitigating Circumstances
The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee health and safety and to increase efficiencies. However, some increases in capital investment are necessary to upgrade its facilities, fleet of vehicles, and processing equipment, in order to remain operationally viable. Aggressive management of the business operations that will enable it to increase revenue and reduce costs and administrative reform related to how OPM apportions the cost of CSRS benefits will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that generally does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2021 of approximately $77 billion, a financially sound Postal Service continues to be vital to the U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, as well as vital mail and packages like medicine, essential consumer staples, benefits checks, and important information. In the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC, and other stakeholders of the immediate and long-term financial challenges it faces and the management initiatives and administrative change related to how OPM apportions the cost of CSRS benefits that are required to restore its financial stability.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees, and suppliers ahead of some payments to fund retirement benefits, as has been done in the past.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2022 and 2021, by each service category:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2022**	**2021[1]**	**2022**	**2021[1]**
Operating Revenue:				
First-Class Mail[2]	$ 6,270	$ 5,974	$ 12,734	$ 12,279
Marketing Mail[3]	3,740	3,228	8,209	7,392
Shipping and Packages[4]	7,873	7,775	16,514	17,154
International	417	558	959	1,206
Periodicals	224	235	483	479
Other[5]	1,262	1,120	2,180	1,875
Total operating revenue	**$ 19,786**	**$ 18,890**	**$ 41,079**	**$ 40,385**

[1] Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category and have no effect on total operating revenue for the period. These reclassifications are required by Postal Service regulatory requirements and are included in this document for consistency amongst publicly-available information.

[2] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[3] Excludes *Marketing Mail Parcels*.

[4] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[5] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other services.

Contract Liabilities

The following table presents the balances of the Postal Service's contract liabilities as of March 31, 2022 and September 30, 2021:

(in millions)	March 31, 2022	September 30, 2021
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,435	$ 1,581
Mail-in-transit	589	600
Metered postage	352	324
Other prepaid postage	113	118
Total deferred revenue-prepaid postage	**2,489**	**2,623**
Prepaid PO Box and Caller Service fees	**589**	**557**
Total deferred revenue	**$ 3,078**	**$ 3,180**

The following table provides details of revenue recognized during the six months ended March 31, 2022 that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2021:

(in millions)	Six Months Ended March 31, 2022
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 948
Mail-in-transit	600
Metered postage	324
Other prepaid postage	74
PO Box and Caller Service fees	451

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

On January 14, 2022, the Postal Service signed an inter-agency agreement with the U.S. Department of Health and Human Services ("HHS") to distribute an estimated 500 million COVID-19 tests to American households upon their request. The agreement provides that the Postal Service will receive payment for postage and be fully reimbursed for its costs. The Postal Service received an advanced payment pursuant to this agreement. Any unused funding will be returned to HHS following the completion of the contract. If the postage and reimbursable costs should exceed the amount already received, HHS will provide additional funding.

The following table presents related-party assets and liabilities as of March 31, 2022 and September 30, 2021:

(in millions)	March 31, 2022	September 30, 2021
Related-party assets:		
Carrying amount of revenue forgone installment receivable[1]	$ 513	$ 504
Related-party liabilities:		
Short-term debt	$ 1,000	$ 1,000
Other current liabilities[2]	78,041	73,814
Long-term debt	10,000	10,000
Other noncurrent liabilities[3]	15,436	16,861

[1] Included within *Other assets* in the accompanying *Balance Sheets*. On March 15, 2022, the President signed H.R. 2471, the *Consolidated Appropriations Act, 2022* (Public Law 117-103), enacting the federal budget for 2022. This bill did not include an appropriation for the 2022 revenue forgone installment, bringing the past due amounts unpaid by Congress to approximately $279 million. See further discussion in *Note 12 - Fair Value Measurement* in this document and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 16 - Revenue Forgone* in the Annual Report.

[2] Amounts include CSRS, FERS, PSRHBF, and current workers' compensation obligations, as well as payables to other agencies. See further discussion in *Note 8. Retirement Benefits*, *Note 9. Health Benefit Plans*, and *Note 10. Workers' Compensation*. Amount reported as of March 31, 2022 includes the remaining funding associated with the COVID-19 test kit distribution.

[3] Amounts include noncurrent workers' compensation obligations. See further discussion in *Note 10. Workers' Compensation*.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2022 and 2021:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2022	2021	2022	2021
Related-party operating revenue[1]	$ 1,071	$ 369	$ 1,415	$ 664
Related-party operating expenses[2]	$ 4,669	$ 4,530	$ 9,411	$ 9,029
Related-party interest income[3]	$ 10	$ 7	$ 18	$ 14
Related-party interest expense[4]	$ 37	$ 38	$ 73	$ 77

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*. Amounts reported for both the three and six months ended March 31, 2022, include revenue from HHS associated with the COVID-19 test kit distribution.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable, as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2022 and 2021 were not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

For the three months ended March 31, 2022 and 2021, depreciation and amortization expense was $414 million and $418 million, respectively. For the six months ended March 31, 2022 and 2021, depreciation and amortization expense was $827 million and $837 million, respectively. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

As of March 31, 2022, the Postal Service had active contracts with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU"), which will expire on September 20, 2022, and the National Association of Letter Carriers, AFL-CIO (“NALC”), which will expire on May 20, 2023. For additional information, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 11 - Commitments and Contingencies* in the Annual Report.

On January 6, 2022, the Postal Service reached a tentative negotiated agreement with the National Rural Letter Carriers’ Association ("NRLCA") on a new three-year collective bargaining agreement, that the union membership ratified on March 17, 2022. The new contract with the NRLCA is effective on March 23, 2022, and will expire on May 20, 2024.

On December 10, 2021, the Postal Service reached a tentative negotiated agreement with the American Postal Workers Union, AFL-CIO ("APWU") on a new three-year collective bargaining agreement, that the union membership ratified on February 28, 2022. The new contract with the APWU is effective on February 28, 2022, and will expire on September 20, 2024.

Contingent Liabilities

The Postal Service’s contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is, from time to time, involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations. For additional information see *Part I, Item 3. Legal Proceedings* and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 11 - Commitments and Contingencies* in the Annual Report.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions as of March 31, 2022 and September 30, 2021:

(in millions)	March 31, 2022	September 30, 2021
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 281	$ 138
Noncurrent portion[2]	138	201
Total contingent liabilities	**$ 419**	**$ 339**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $325 million to $1.3 billion at March 31, 2022, and from approximately $300 million to $1.2 billion at September 30, 2021.

NOTE 8 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which are administered by the OPM. Associated costs include the FERS normal costs, contributions based on a percentage of active employee's basic pay, and CSRS and FERS amortization costs to fund the remaining unfunded liabilities. These costs are recorded in *Retirement Benefits* in the accompanying unaudited *Statement of Operations*.

Employees who participate in FERS are eligible to receive matching retirement contributions to the Thrift Savings Plan ("TSP"), a defined contribution plan. Employees who participate in FERS and certain employees who participate in CSRS are also eligible to receive Social Security benefits upon retirement. The Postal Service contributes at standard Social Security tax rates for these employees. These TSP and Social Security costs are recorded in *Compensation and Benefits* in the accompanying unaudited *Statement of Operations*.

In October 2021, the OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2022 would be approximately $1.9 billion for the CSRS obligation and approximately $1.4 billion for the FERS obligation. The Postal Service expects to receive the invoice from the OPM for the actual amounts due September 30, 2022 during the fourth quarter of 2022, and this invoice may differ from the estimated projections and calculations due to further changes in experience and/or actuarial assumptions as of the calculation date.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2022 and 2021:

	Three Months Ended March 31,		**Six Months Ended March 31,**	
(in millions)	**2022**	**2021**	**2022**	**2021**
FERS normal costs	$ 1,090	$ 999	$ 2,192	$ 2,000
CSRS unfunded retirement benefits amortization[1]	465	454	929	908
FERS unfunded retirement benefits amortization[2]	350	336	700	672
Total retirement benefits	**$ 1,905**	**$ 1,789**	**$ 3,821**	**$ 3,580**

[1] Expense for the accrual for the annual payment due to the OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on the OPM invoices.

[2] Expense for the accrual for the annual payment due to the OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on the OPM invoices.

For additional information, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 12 - Retirement Plans* in the Annual Report.

NOTE 9 - HEALTH BENEFITS PLANS

The Federal Employee Health Benefit ("FEHB") Program covers nearly all career employees and also covers pre-career employees and retirees who meet certain eligibility requirements. The OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain pre-career employees who are ineligible for FEHB.

Active Employees

The Postal Service's employee health benefits expense, which includes the employer portion of Medicare taxes, is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. The Postal Service's employee health benefits expense was approximately $1.3 billion and $2.6 billion for both the three and six months ended March 31, 2022 and 2021, respectively. These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

The Postal Service's retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

As required by PAEA, the OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by the OPM, the amortization payment amount due September 30, 2022 was estimated to be approximately $1.0 billion.

Furthermore, under PAEA, the Postal Service was obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary information provided by the OPM, the Postal Service estimated the normal cost payment, also due by September 30, 2022 to be approximately $4.3 billion.

The following table details retiree health benefits expenses that were ratably accrued for the three and six months ended March 31, 2022 and 2021 based on OPM's annual estimates for payments due by September 30, 2022 and 2021:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2022**	**2021**	**2022**	**2021**
PSRHBF unfunded liability amortization[1]	$ 250	$ 225	$ 500	$ 450
Normal cost of retiree health benefits[2]	1,075	975	2,150	1,950
Total retiree health benefits expense	**$ 1,325**	**$ 1,200**	**$ 2,650**	**$ 2,400**

[1] Expense for the accrual for the annual payment due to the OPM by September 30 of the respective year, as calculated by the OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments were to be made through 2056 based on the OPM invoices.

[2] Expense for the accrual for the annual payment that was due to the PSRHBF by September 30 of the respective year, based on information provided by the OPM, for actuarially determined normal cost of retiree health benefits for current employees.

On April 6, 2022, the PSRA removed the current year payments that were expected to be due by September 30, 2022, as described in *Note 1 - Basis of Presentation*.

NOTE 10 - WORKERS' COMPENSATION

The Postal Service's employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the DOL's Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses the DOL for all workers' compensation benefits paid to or on behalf of the Postal Service's employees. The Postal Service also pays the DOL an administrative fee for its services.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees, who have been injured on the job and are eligible for benefits, or for their qualified survivors. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in interest (discount) and inflation rates, including long-term cost of living adjustments ("COLA") rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries, and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current interest (discount) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2022 liability and related expense by approximately $1.8 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2022 liability and related expense by approximately $2.2 billion.

The following table details the applicable inflation and discount rates for compensation and medical claims, which are used to estimate the workers' compensation liability as of March 31, 2022 and September 30, 2021:

	March 31, 2022	**September 30, 2021**
Compensation claims liability:		
Discount rate	2.45%	1.79%
Long-term wage inflation rate	2.70%	2.60%
Medical claims liability:		
Discount rate	2.45%	1.81%
Medical inflation rate	3.10%	3.10%

As of March 31, 2022 and September 30, 2021, the Postal Service's total liability for workers' compensation was approximately $16.7 billion and $18.2 billion, respectively. As of March 31, 2022 and September 30, 2021, the current portion of the liability was approximately $1.3 billion at both dates and the noncurrent portion of the liability was approximately $15.4 billion and $16.9 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense (Benefit)

The impacts of changes in discount rates and inflation rates, actuarial valuation of new cases, and revaluation of existing cases are components of total workers' compensation expense (benefit) recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to the DOL, which is considered a component of workers' compensation expense (benefit).

The following table presents the components of workers' compensation expense (benefit) for the three and six months ended March 31, 2022 and 2021:

	Three Months Ended March 31,		**Six Months Ended March 31,**	
(in millions)	**2022**	**2021**	**2022**	**2021**
Impact of discount rate changes	$ (1,493)	$ (1,679)	$ (1,391)	$ (2,158)
Actuarial revaluation of existing cases	375	99	598	(47)
Cost of new cases	313	299	623	625
Administrative fee	22	21	45	42
Total workers' compensation expense (benefit)	**$ (783)**	**$ (1,260)**	**$ (125)**	**$ (1,538)**

For additional information, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 14 - Workers' Compensation* in the Annual Report.

NOTE 11 - LEASES

The Postal Service holds lessee positions in real property leases as well as in leases embedded in service contracts involving rights to use transportation equipment and facilities.

Lease costs for operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2022 and 2021:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2022**	**2021**	**2022**	**2021**
Operating lease cost	$ 393	$ 340	$ 782	$ 669
Variable lease cost	231	223	415	406
Short-term lease cost	62	79	118	166
Total lease cost	**$ 686**	**$ 642**	**$ 1,315**	**$ 1,241**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for operating leases, for the six months ended March 31, 2022 and 2021:

	Six Months Ended March 31,	
($ in millions)	**2022**	**2021**
Operating cash flows from operating leases	$ 781	$ 675
Right-of-use assets obtained in exchange for operating lease liabilities	$ 378	$ 128
Weighted-average remaining lease term - operating leases	5.29 years	5.37 years
Weighted-average discount rate - operating leases	1.26 %	1.54 %

For additional information, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 15 - Leases* in the Annual Report.

NOTE 12 - FAIR VALUE MEASUREMENT

The carrying amounts of certain current assets and liabilities, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are disclosed at fair value using inputs of the fair value hierarchy model. This model prioritizes observable and unobservable inputs, which are used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2022		September 30, 2021	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable[1]	$ 513	$ 517	$ 504	$ 540
Long-term debt[2]	$ 10,000	$ 10,105	$ 10,000	$ 10,449

[1] The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

[2] The fair value amount reflects the premium or discount associated with prepayment of all debt based on prevailing interest rates plus any prepayment penalties, as applicable.

The *Revenue Forgone Reform Act of 1993* (the "RFA") authorized $1.2 billion to be paid to the Postal Service in 42 annual installment payments of $29 million each from 1994 through 2035 as reimbursement for below-cost postage offered to certain categories of mailers between 1991 and 1998. Although the RFA authorized the reimbursement, Congress must appropriate the $29 million to the Postal Service within the annual federal budget for the Postal Service to receive funding. On March 15, 2022, the President signed H.R. 2471, the *Consolidated Appropriations Act, 2022* (Public Law 117-103), enacting the federal budget for 2022. This bill did not include an appropriation for the 2022 revenue forgone installment, bringing the past due installments unpaid by Congress to approximately $279 million.

The Postal Service continues to include the total past due installments in each annual appropriations request to Congress. Although it has not consistently received the installment payments, the amounts are established by the RFA and, in any year, Congress could appropriate the full amount, including past-due installments. The Postal Service believes that the amount remains fully collectible and no reserve is necessary for the uncollected amounts due to the good faith and credit of the U.S. government. For additional information on the revenue forgone installment receivable, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 16 - Revenue Forgone* in the Annual Report.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management’s Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources, and critical accounting estimates of the United States Postal Service (“Postal Service,” “USPS,” “we,” “our,” and “us”). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2021 (“Annual Report”) filed with the Postal Regulatory Commission (“PRC”) on November 10, 2021. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2022 are presented in accordance with accounting principles generally accepted in the United States (“GAAP”). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2022 and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2022 and 2021.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project,” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition, and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve consumer and commercial customers in the United States (“U.S.”) as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation, and delivery network, and we operate throughout the U.S., including its possessions and territories. We do not operate in segments; we report our performance as a single business.

The *Postal Accountability and Enhancement Act* (“PAEA”), enacted as Public Law 109-435, classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits. We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We continue to implement initiatives that are expected to drive revenue by capitalizing on innovation, technology, customer and consumer insights, and data management. This includes strengthening the value of mail through the continued enhancement of *Informed Delivery,* which enables customers to digitally preview mail and manage package delivery and adds digital marketing capabilities to the printed mailpiece. We also recently launched *USPS Connect* that aims to drive package growth by broadening network access to next-day delivery capability for businesses of all sizes. However, legal restrictions on pricing, service diversification, and operations currently restrict our ability to cover our costs to provide prompt, reliable, and efficient postal services to the nation.

As an independent establishment of the U.S. government, we have a unique mission to:

- Serve the American people and, through the universal service mission, bind our nation together by maintaining and operating our unique, vital, and resilient infrastructure;
- Provide trusted, safe, and secure communications and services between the U.S. government and the American people, businesses and their customers, and the American people with each other; and
- Serve all areas of our nation, making full use of evolving technologies.

We will carry out this mission by remaining an integral part of the U.S. government and providing all Americans with universal and open access to our unrivaled delivery and retail network; using technology, innovation and, where appropriate, private-sector partnerships to meet our customers’ changing needs; operating in a modern, precise, efficient, and effective manner; and remaining an employer of choice, including attracting and retaining high-quality employees.

DELIVERING FOR AMERICA

In March 2021, we published our vision and ten-year plan to achieve financial stability and service excellence entitled *Delivering for America* (https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf).

Our comprehensive plan delivers:

- A modernized Postal Service capable of providing world class service reliability at affordable prices;
- Maintenance of universal six-day mail delivery and expanded seven-day package delivery;
- Workforce stability and investment strategies that empower, equip, and engage each employee and put them in the best possible position to succeed;
- Innovation that grows revenue and meets changing marketplace needs; and
- Financial sustainability to fund our universal service mission.

We can accomplish these goals with legislative and administrative changes, effective use of newly acquired and existing pricing authorities, operating more precisely and efficiently across our enterprise, and by driving revenue growth through innovative customer solutions.

Our plan's strategies for revenue growth, cost savings, and investment, combined with legislative and administrative actions, will enable us to operate in a financially self-sustaining manner while fulfilling our universal service mission.

We continue to implement core elements of our plan and have been provided with the legislative reform that was needed through the enactment of the *Postal Service Reform Act of 2022* ("PSRA"), as discussed in *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 1 - Basis of Presentation* and our first-year progress report on the execution of the plan published on April 7, 2022 (https://about.usps.com/what/strategic-plans/delivering-for-america/assets/usps-dfa-one-year-report.pdf). However, the remainder of the plan, including the management initiatives and administrative change to how OPM apportions the cost of CSRS benefits, must be implemented timely and in full to meet our financial targets.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, mix of postal services and contribution associated with those services, volume of mail and packages processed through our network, and our ability to manage our cost structure in line with secularly declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business, and an increasing number of delivery points.

Pandemic-related pressures on our operations also continue to have a material impact. The operating results for the three and six months ended March 31, 2022 reflect the sustained effect that the pandemic has had on customer demand, resulting in lower mail volumes and higher shipping and package volumes than pre-pandemic levels, as well as pandemic-related inflation, resulting in higher compensation costs, higher transportation costs, and higher fuel costs. The operating results for the three and six months ended March 31, 2022 also reflect increases in certain revenues and expenses associated with our inter-agency agreement with the U.S. Department of Health and Human Services ("HHS") to distribute COVID-19 tests as described in *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 5 - Related Parties.*

Three Months Ended March 31, 2022

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2022 increased $896 million, or 4.7%, compared to the same period last year, driven by the following:

- *Marketing Mail* revenue increase of $512 million, or 15.9%, compared to the same period last year, with a volume growth of approximately 1.2 billion pieces, or 8.4%, compared to the same period last year. *Marketing Mail* experienced steep volume declines at the onset of the pandemic, but has been rebounding as the economy continues to recover. *Marketing Mail* has generally proven to be a resilient marketing channel and its value to U.S. businesses remains strong due to healthy customer returns on investment and better data and technology integration;
- *First-Class Mail* revenue increase of $296 million, or 5.0%, compared to the same period last year, despite a volume decline of 82 million pieces, or 0.6%, compared to the same period last year. Volume declined due to continuing migration from mail to electronic communication and transaction alternatives. Revenue grew despite the volume decline due to price increases. *First-Class Mail* volume remains lower than pre-pandemic levels and we expect continued secular declines;
- Other services revenue increase of $142 million, or 12.7%, compared to the same period last year, due to non-postage revenue associated with the COVID-19 test kit distribution; and
- Shipping and Packages revenue increase of $98 million, or 1.3%, compared to the same period last year, despite a volume decline of 94 million pieces, or 5.0%, compared to the same period last year. Higher package volumes in the prior year were due to the pandemic-related surge in e-commerce, which continues to abate as the economy recovers and market competition intensifies. Were it not for the additional revenue and volume associated with the COVID-19 test kit distribution, revenue would have declined and volume would have further declined.

These increases were partially offset by lower *International Mail* revenue of $141 million, or 25.3%, compared to the same period last year, with a volume decline of 19 million pieces, or 17.4%, compared to the same period last year, as postal administrations have continued to experience disruptions worldwide, including prolonged delays and temporary suspensions, as a result of the pandemic and other global economic factors. *International Mail* has also been impacted by shifts in global transportation modes to commercial alternatives.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2022 increased approximately $1.5 billion, or 7.7%, compared to the same period last year, primarily driven by the following:

- Workers' compensation expense increase of $477 million, or 37.9%, compared to the same period last year, due to the impact of changes in discount rates and actuarial revaluation, which are outside of management's control;
- Other operating expense increase of $369 million, or 14.4%, compared to the same period last year, driven by an increase in supplies and services, an increase in rent and utilities for our facilities, and higher average fuel prices for delivery vehicles;
- Compensation and benefits expense increase of $354 million, or 2.9%, compared to the same period last year, primarily due to contractual wage increases including the inflationary impacts on related cost of living adjustments ("COLA") and additional costs associated with the COVID-19 test kit distribution, partially offset by a lower number of work hours;
- Retiree health benefits expense increase of $125 million, or 10.4%, compared to the same period last year, due to the impact of changes in discount rates, which are established by the OPM and are outside of management's control; and
- Retirement benefits increase of $116 million, or 6.5%, compared to the same period last year, primarily due to contribution rate increases for FERS normal costs established by the OPM.

Overall, we reported a net loss of $639 million for the three months ended March 31, 2022, compared to net loss of $82 million for the same period last year. Excluding the combined effects of non-cash workers' compensation adjustments due to fluctuations in discount rates and other actuarial revaluations, the loss would have been approximately $1.7 billion, essentially flat, compared to the same period last year.

Six Months Ended March 31, 2022

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2022, increased $694 million, or 1.7%, compared to the same period last year driven by the following:

- *Marketing Mail* revenue increase of $817 million, or 11.1%, compared to the same period last year, with a volume increase of 517 million pieces, or 1.5%, compared to the same period last year. *Marketing Mail* has generally proven to be a resilient marketing channel and its value to U.S. businesses remains strong due to healthy customer returns on investment and better data and technology integration;
- *First-Class Mail* revenue increase of $455 million, or 3.7%, compared to the same period last year, despite a volume decline of 612 million pieces, or 2.3%, compared to the same period last year, due to continuing migration from mail to electronic communication and transaction alternatives. Revenue grew despite the volume decline due to price increases. *First-Class Mail* volume remains lower than pre-pandemic levels and we expect continued secular declines; and
- Other services revenue increase of $305 million, or 16.3%, compared to the same period last year, due to non-postage revenue associated with the COVID-19 test kit distribution and higher revenue associated with *PO Box* services.

These increases were partially offset by the following:

- Shipping and Packages revenue decline of $640 million, or 3.7%, compared to the same period last year, on a volume decline of 304 million pieces, or 7.5%, compared to the same period last year. Higher package volumes in the prior year were due to the pandemic-related surge in e-commerce, which continues to abate as the economy recovers and market competition intensifies; and
- *International Mail* revenue decline of $247 million, or 20.5%, compared to the same period last year, with a volume decline of 35 million, or 14.8%, compared to the same period last year, as postal administrations have continued to experience disruptions worldwide, including prolonged delays and temporary suspensions, as a result of the pandemic and other global economic factors. *International Mail* has also been impacted by shifts in global transportation modes to commercial alternatives.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2022, increased approximately $3.1 billion, or 7.8%, compared to the same period last year. Operating expenses increased due to the following:

- Workers' compensation expense increase of approximately $1.4 billion, or 91.9%, compared to the same period last year, driven by the impact of actuarial revaluation and changes in discount rates, which are outside of management's control;
- Other operating expense increase of $499 million, or 9.8%, compared to the same period last year, driven by an increase in supplies and services, an increase in rent and utilities for our facilities, and higher average fuel prices for delivery vehicles;
- Compensation and benefits expense increase of $475 million, or 1.9%, compared to the same period last year, primarily due to contractual wage increases, including the inflationary impacts on related COLA and additional costs associated with the COVID-19 test kit distribution, partially offset by a lower number of work hours;
- Transportation expense increase of $256 million, or 5.2%, compared to the same period last year, driven by an increase in miles driven, higher average unit costs per mile, higher average diesel fuel prices, and higher average jet fuel prices;
- Retiree health benefits expense increase of $250 million, or 10.4%, compared to the same period last year, due to the impact of changes in discount rates, which are established by the OPM and are outside of management's control; and
- Retirement benefits increase of $241 million, or 6.7%, compared to the same period last year, primarily due to contribution rate increases for FERS normal costs established by the OPM.

Overall, we reported a net loss of approximately $2.2 billion for the six months ended March 31, 2022, compared to net income of $236 million for the same period last year. Excluding the combined effects of non-cash workers' compensation adjustments due to fluctuations in discount rates and other actuarial revaluations, the loss for the six-month period would have been approximately $3.0 billion, compared to a loss of approximately $2.0 billion for the same period last year.

Non-GAAP Controllable (Loss) Income

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We use various non-GAAP measures to help us better manage our business. However, these non-GAAP measures should not be considered a substitute for net (loss) income and other GAAP reporting measures. We calculate loss excluding workers' compensation adjustments, a non-GAAP measure, by excluding workers' compensation expenses driven by actuarial revaluation and discount rate changes, which can fluctuate significantly and over which we have no control.

We calculate controllable (loss) income, a non-GAAP measure, by excluding the workers' compensation adjustments, as well as PSRHBF actuarial revaluation and amortization expenses and the amortization of unfunded pension liabilities. The variance in these expenses depends primarily on factors over which we have no control, such as changes in projected discount rates and inflation.

The following table reconciles our GAAP net (loss) income to our non-GAAP measures for the three and six months ended March 31, 2022 and 2021:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2022**	**2021**	**2022**	**2021**
Net (loss) income	**$ (639)**	**$ (82)**	**$ (2,186)**	**$ 236**
Change in workers' compensation liability resulting from fluctuations in discount rates	(1,493)	(1,679)	(1,391)	(2,158)
Other change in workers' compensation liability[1]	419	55	605	(72)
Loss excluding workers' compensation adjustments	**$ (1,713)**	**$ (1,706)**	**$ (2,972)**	**$ (1,994)**
PSRHBF unfunded liability amortization expense[2]	250	225	500	450
CSRS unfunded liability amortization expense[3]	465	454	929	908
FERS unfunded liability amortization expense[4]	350	336	700	672
Controllable (loss) income	**$ (648)**	**$ (691)**	**$ (843)**	**$ 36**

[1] Net amounts include changes in assumptions, valuation of new claims, revaluation of existing claims, and the administrative fee paid to DOL, less current year claim payments.

[2] Expense for the accrual for the annual payment due to the OPM by September 30 of the respective year, as calculated by the OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments were to be made through 2056 based on the OPM invoices. The PSRA has eliminated these payments, effective April 6, 2022, and amounts will be adjusted and reflected as an exclusion from net (loss) income to reconcile to controllable (loss) income in the third quarter. Beginning in 2026, we will be required to make annual "top-up" payments to the PSRHBF, based on the difference between annuitant premiums and net claims costs, should such difference exist.

[3] Expense for the accrual for the annual payment due to the OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on the OPM invoices.

[4] Expense for the accrual for the annual payment due to the OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on the OPM invoices.

Our controllable loss decreased $43 million for the three months ended March 31, 2022, compared to the same period last year. This decrease in controllable loss was largely driven by higher other operating expenses of $369 million, higher compensation and benefits expenses of $354 million, and higher FERS normal costs of $91 million, offset by the $896 million increase in operating revenue.

Our controllable loss increased $879 million for the six months ended March 31, 2022, compared to the same period last year. This increase in controllable loss was largely driven by higher compensation and benefits expenses of $475 million, higher other operating expenses of $499 million, higher transportation expenses of

$256 million, higher PSRHBF normal costs of $200 million, and higher FERS normal costs of $192 million, partially offset by the $694 million increase in operating revenue.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

Although we operate as a single segment, we monitor and report revenue by mail classes, products, and shapes. We use the following broad service categories to describe and report on our performance: *First-Class Mail*, *Marketing Mail*, Shipping and Packages, *International Mail*, *Periodicals*, and other services. Additional information on these service categories can be found in *Part I, Item 1. Business, Services* and *Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Results of Operations, Operating Revenue and Volume* in our Annual Report.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2022 and 2021, by each service category:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2022**	**2021[1]**	**2022**	**2021[1]**
Operating Revenue:				
First-Class Mail[2]	$ 6,270	$ 5,974	$ 12,734	$ 12,279
Marketing Mail[3]	3,740	3,228	8,209	7,392
Shipping and Packages[4]	7,873	7,775	16,514	17,154
International	417	558	959	1,206
Periodicals	224	235	483	479
Other[5]	1,262	1,120	2,180	1,875
Total operating revenue	**$ 19,786**	**$ 18,890**	**$ 41,079**	**$ 40,385**
Volume:				
First-Class Mail[2]	12,979	13,061	26,190	26,802
Marketing Mail[3]	15,842	14,616	34,647	34,130
Shipping and Packages[4]	1,772	1,866	3,735	4,039
International	90	109	201	236
Periodicals	804	936	1,724	1,879
Other[6]	61	74	142	163
Total volume	**31,548**	**30,662**	**66,639**	**67,249**

[1] Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category and have no effect on total operating revenue for the period. These reclassifications are required by Postal Service regulatory requirements and are included in this document for consistency amongst publicly-available information.

[2] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[3] Excludes *Marketing Mail Parcels*.

[4] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[5] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other services.

[6] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

Revenue for the three and six months ended March 31, 2022 and 2021, was impacted by the following pricing changes:

- On August 29, 2021, we increased prices on certain Market-Dominant services by an average of 6.8%;
- On January 24, 2021, we implemented the 2021 pricing schedule, increasing prices for certain Market-Dominant and Competitive services;
- On January 9, 2022, we increased prices on certain Competitive services (i.e., *Priority Mail*, *Priority Mail Express,* and military mail) by an average of 3.1%; and
- We also implemented time-limited price increases on certain Shipping and Packages subcategories during peak seasons from October 18, 2020 through December 27, 2020, and again from October 3, 2021 through December 26, 2021, after which prices reverted to the original 2020 and 2021 pricing schedules, respectively.

On April 6, 2022, we filed with the Postal Regulatory Commission ("PRC") a notice of our intent to increase prices on certain Market-Dominant services by an average of 6.5%. If approved by the PRC, the increased prices would be effective on July 10, 2022.

First-Class Mail

For the three months ended March 31, 2022, *First-Class Mail* revenue increased $296 million, or 5.0%, despite a volume decline of 82 million pieces, or 0.6%, compared to the same period last year. For the six months ended March 31, 2022, *First-Class Mail* revenue increased $455 million, or 3.7%, despite a volume decline of 612 million pieces, or 2.3%, compared to the same period last year. Revenue grew despite the volume declines due to the price increases, as noted above. The most significant factor contributing to the declining trend in *First-Class Mail* volume is the continued migration from mail to electronic communication and transaction alternatives.

Marketing Mail

For the three months ended March 31, 2022*, Marketing Mail* revenue increased $512 million, or 15.9%, and volume increased approximately 1.2 billion pieces, or 8.4%, compared to the same period last year. For the six months ended March 31, 2022*, Marketing Mail* revenue increased $817 million, or 11.1%, and volume increased 517 million pieces, or 1.5%, compared to the same period last year. Revenue grew due to price increases, as noted above. *Marketing Mail* had experienced steep volume declines at the onset of the pandemic but has been rebounding as the economy continues to recover. *Marketing Mail* has generally proven to be a resilient marketing channel and its value to U.S. businesses remains strong due to healthy customer returns on investment and better data and technology integration. However, this category has been challenged by commercial mailers' increasing use of digital and mobile advertising, which had been accelerated by the pandemic, and *Marketing Mail* volume remains lower than pre-pandemic levels.

For the three months ended March 31, 2022, our revenue and volume from political and election mail increased by approximately $30 million and more than 115 million pieces, respectively, compared to the same period last year. For the six months ended March 31, 2022, our revenue and volume from political and election mail decreased by approximately $350 million and 2.2 billion pieces, respectively, compared to the same period last year. If not for the impact of these mailings, *Marketing Mail* revenue and volume would have increased at a greater rate for the six months ended March 31, 2022.

Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2022 and 2021, by each service subcategory:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2022**	**2021**	**2022**	**2021**
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 3,227	$ 3,482	$ 7,112	$ 7,820
Parcel Services[2]	2,245	2,267	4,791	5,007
First-Class Package Services[3]	2,180	1,809	4,159	3,888
Package Services	221	217	452	439
Total Shipping and Packages revenue	**$ 7,873**	**$ 7,775**	**$ 16,514**	**$ 17,154**
Shipping and Packages Volume:				
Priority Mail Services[1]	307	355	668	779
Parcel Services[2]	820	866	1,780	1,888
First-Class Package Services[3]	520	509	1,025	1,094
Package Services	125	136	262	278
Total Shipping and Packages volume	**1,772**	**1,866**	**3,735**	**4,039**

[1] Includes *Priority Mail, Priority Mail Express* and *USPS Retail Ground.*
[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels.*
[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial.*

For the three months ended March 31, 2022, Shipping and Packages revenue increased 1.3%, despite a volume decline of 5.0%, compared to the same period last year. For the six months ended March 31, 2022, Shipping and Packages revenue decreased 3.7%, with a volume decline of 7.5%, compared to the same period last year. We believe consumer behavior has evolved during the pandemic and our Shipping and Packages volume is not expected to return to pre-pandemic levels, as the nation has increasingly relied on the safety and convenience of e-commerce. However, the surge in e-commerce has continued to abate as the economy recovers. Furthermore, competition in the overall market has increased as certain major customers have returned to diverting their volume from our network and aggressively pricing their products and services to fill their networks and grow package density.

Priority Mail Services

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 41% and 45% of the total for the three months ended March 31, 2022 and 2021, respectively. However, Priority Mail Services accounted for approximately 17% and 19% of the total Shipping and Packages volume for three months ended March 31, 2022 and 2021, respectively.

For the three months ended March 31, 2022, Priority Mail Services revenue decreased 7.3%, on a volume decline of 13.5%, compared to the same period last year. For the six months ended March 31, 2022, Priority Mail Services revenue decreased 9.1%, on a volume decline of 14.2%, compared to the same period last year. These decreases are reflective of the elevated package levels in the prior year due to the pandemic.

Parcel Services

For the three months ended March 31, 2022, revenue from Parcel Services decreased 1.0%, on a volume decline of 5.3%, compared to the same period last year, For the six months ended March 31, 2022, revenue from Parcel Services decreased 4.3%, on a volume decline of 5.7%, compared to the same period last year. These decreases are reflective of the elevated package levels in the prior year due to the pandemic and growing market competition. Parcel Services is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services.

First-Class Package Services
For the three months ended March 31, 2022, First-Class Package Services revenue increased 20.5%, and volume increased 2.2%, compared to the same period last year, due to the additional revenue and volume associated with the COVID-19 test kit distribution. For the six months ended March 31, 2022, First-Class Package Services revenue increased 7.0%, despite a volume decline of 6.3%, compared to the same period last year. The volume changes for both periods are reflective of the elevated package levels in the prior year due to the pandemic, offset during the three-month period, and partially offset during the six month period, by the additional volume associated with the COVID-19 test kit distribution. Revenue grew despite this volume decline due to the price increases, as noted above.

Package Services
For the three months ended March 31, 2022, Package Services revenue increased 1.8%, despite a volume decline of 8.1%, compared to the same period last year. For the six months ended March 31, 2022, Package Services revenue increased 3.0% despite a volume decline of 5.8%, compared to the same period last year. These volume declines are reflective of growing market competition. Revenue grew despite the volume decline for both periods due to price increases and shifts in the mix of services provided.

International Mail
For the three months ended March 31, 2022, *International Mail* revenue decreased 25.3%, on a volume decline of 17.4%, compared to the same period last year. For the six months ended March 31, 2022, *International Mail* revenue decreased 20.5%, with a volume decline of 14.8%, compared to the same period last year. The declines in volume were due to various competitive pricing, political, and economic factors, including the impact of the pandemic on transportation logistics and the global economy in general. Postal administrations have continued to experience disruptions worldwide, including prolonged delays and temporary suspensions, as a result of the pandemic. Our volume was also impacted by shifts in global transportation modes to commercial alternatives. Revenue for the *International Mail* category decreased, largely as a result of the volume decline due to the impacts of the pandemic and shifts in the mix of services provided. However, the overall contribution margin per revenue dollar for the *International Mail* category increased, despite the revenue and volume declines, as a result of our self-declared rates.

Periodicals
For the three months ended March 31, 2022*, Periodicals* revenue decreased 4.7%, on a volume decline of 14.1%, compared to the same period last year. For the six months ended March 31, 2022, *Periodicals* revenue increased 0.8%, on a volume decline 8.2%, compared to the same period last year. While the revenue increase is driven by price increases on certain Market-Dominant services, the declining volume is consistent with the systemic decline related to the trend away from hard-copy reading behavior and the shift of advertising away from print.

Other
Other services revenue includes ancillary services such as *Certified Mail*, *PO Box* services, and Return Receipt services. Also included in this category are the fluctuations in our deferred revenue estimates, money order services, passport services, signature-on-delivery services, insurance, and our own internal mail, which generates no revenue but has volume that can vary significantly from year to year. In addition, this category contains the non-postage revenue associated with cost reimbursements for the COVID-19 test kit distribution that began in the second quarter of 2022.

Other services revenue increased 12.7% and 16.3% for the three and six months ended March 31, 2022, respectively, compared to the same periods last year, primarily due to non-postage revenue associated with the COVID-19 test kit distribution noted above. The six months ended March 31, 2022 also benefited from higher revenue associated with *PO Box* services.

OPERATING EXPENSES
In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenses under management's control.

We originally designed our mail processing and distribution network to provide delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail and package mix and volume. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.0 pieces in 2021, a reduction of approximately 46%.

Compensation and Benefits

Compensation and benefits, our largest operating expense category, is significantly impacted by the terms in our collective bargaining agreements. The majority of our employees are covered by collective bargaining agreements. For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 7 - Commitments and Contingencies* in this document and *Part I, Item 1. Business, Employees* and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 11 - Commitments and Contingencies* in our Annual Report.

Our compensation and benefits expenses consist of costs related to our active career and pre-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs, which are further discussed in *Retirement Benefits* and *Retiree Health Benefits*, respectively.

The following table presents compensation and benefits expenses for the three and six months ended March 31, 2022 and 2021:

	Three Months Ended March 31,		**Six Months Ended March 31,**	
(in millions)	**2022**	**2021**	**2022**	**2021**
Compensation	$ 10,372	$ 10,043	$ 21,410	$ 20,975
Employee health benefits	1,311	1,285	2,626	2,608
Social Security	597	580	1,227	1,194
Thrift Savings Plan	319	310	655	602
Other	76	103	157	221
Total compensation and benefits	**$ 12,675**	**$ 12,321**	**$ 26,075**	**$ 25,600**

Overall, our compensation and benefits expenses increased 2.9% and 1.9% for three and six months ended March 31, 2022, respectively, compared to the same periods last year. These increases are primarily due to contractual wage increases, which include the inflationary impacts on related COLA, partially offset by a lower number of work hours.

Work Hours

Work hours are a significant component of compensation expense. We are committed to minimizing costs by using the appropriate mix of work hours based on the complement and the assessment of relative cost for each work hour type. In some instances, the use of overtime hours may be necessary to meet service standard commitments and obligations for mail delivery or to serve as a more cost-effective option. In most instances, the compensation for an overtime hour is less than the cost of a straight-time hour as adding employees results in additional costs for hiring training, and benefits. Furthermore, certain benefit costs are only calculated as a percentage of basic pay and do not increase with higher overtime pay.

For the three months ended March 31, 2022, total work hours were approximately 291 million, a decrease of 3 million hours, or 1.0%, compared to the same period last year, consisting of a decrease of 2 million overtime hours and 1 million straight-time hours. For the six months ended March 31, 2022, total work hours were approximately 604 million, a decrease of 6 million hours, or 1.0%, compared to the same period last year, consisting of a decrease of 9 million overtime hours, partially offset by an increase of 3 million straight-time hours. The decrease in total work hours for both periods was reflective of the lower Shipping and Packages volume, partially offset by the additional hours associated with the COVID-19 test kit distribution.

Workforce Composition
The number of career employees at March 31, 2022 was approximately 507,000, an increase of approximately 5,000 employees, or 1.0%, compared to the same date a year ago. The increase is the result of conversions from pre-career to career status, consistent with our *Delivering for America* plan, as we strategically work to reduce attrition and create a stable and empowered workforce with the opportunity for career development and growth for all employees.

The number of pre-career employees at March 31, 2022 was approximately 143,000, an increase of approximately 1,000 employees, or 0.7%, compared to the same date a year ago. The increase is due to additions to the workforce to address the COVID-19 test kit distribution effort, partially offset by the conversions noted above.

Retirement Benefits
We participate in FERS and CSRS, federal employee defined pension benefit programs administered by the OPM. Our retirement benefits expenses include statutorily required contributions to amortize the unfunded portion of these programs and a percentage of basic pay for our active employees, as established by the OPM. For the three and six months ended March 31, 2022, our retirement benefits expenses increased 6.5% and 6.7%, respectively, compared to the same periods last year, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization and increased FERS normal costs associated with both contribution rate increases and normal compensation increases.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 8 - Retirement Plans*, in this document and *Part II, Item 8. Financial Statements and Supplementary Data, and Supplementary Data*, *Notes to Financial Statements*, *Note 12 - Retirement Plans* in our Annual Report.

Retiree Health Benefits
We participate in federal employee benefit programs for retiree health benefits. Our retiree health benefit expenses include a statutorily required contribution to amortize the unfunded portion of this program and the "normal cost," an amount calculated by the OPM as the present value of the estimated retiree health benefits attributable to active employees during the most recent year.

For the three and six months ended March 31, 2022, our retiree health benefits expenses increased 10.4% compared to the same periods last year, due to revised actuarial assumptions for retiree health benefit normal costs.

On April 6, 2022, the PSRA removed the current year payments that were expected to be due by September 30, 2022, as described in *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 1 - Basis of Presentation.* Beginning in 2026, we will be required to make annual "top-up" payments to the PSRHBF based on the difference between annuitant premiums and net claims costs, should such difference exist. The PSRHBF will continue to pay premiums for our annuitants until the fund is exhausted. Once exhausted, we will return to a "pay-as-you-go" methodology, similar to most other federal agencies and private-sector businesses that have such a program.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 9 - Health Benefits Plans*, *Retirees*, in this document and *Part II, Item 8. Financial Statements and Supplementary Data and Supplementary Data*, *Notes to Financial Statements*, *Note 13 - Health Benefits Plans*, *Retirees* in our Annual Report.

Workers' Compensation
Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the DOL's Office of Workers' Compensation Programs, as described in our Annual Report.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by the DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense (benefit) in order to determine the non-cash component of workers' compensation expense (benefit), a non-GAAP financial measure.

The following table presents the components of workers' compensation expense (benefit), including the cash payments made by the DOL on behalf of our employees for workers' compensation obligations, for the three and six months ended March 31, 2022 and 2021:

	Three Months Ended March 31,		**Six Months Ended March 31,**	
(in millions)	**2022**	**2021**	**2022**	**2021**
Impact of discount rate changes	$ (1,493)	$ (1,679)	$ (1,391)	$ (2,158)
Actuarial revaluation of existing cases	375	99	598	(47)
Cost of new cases	313	299	623	625
Administrative fee	22	21	45	42
Total workers' compensation expense (benefit)	**$ (783)**	**$ (1,260)**	**$ (125)**	**$ (1,538)**
Less cash payments made by the DOL on behalf of workers' compensation obligations	(291)	(364)	(661)	(692)
Total workers' compensation non-cash expense (benefit)	**$ (1,074)**	**$ (1,624)**	**$ (786)**	**$ (2,230)**

For the three and six months ended March 31, 2022, the portion of workers' compensation benefit driven by discount rate changes decreased $186 million and $767 million, respectively, compared to the same periods last year.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $290 million and $643 million for the three and six months ended March 31, 2022, respectively, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases, and updated COLA assumptions, which are largely outside of management's control.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Workers' Compensation* in this document and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 14 - Workers' Compensation* in our Annual Report.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between facilities, comprising highway, air, and international transportation contracts, plus contract delivery services. We rely on third-parties under highway contract routes for the significant majority of long-haul transportation services between facilities. Furthermore, we do not own or operate aircraft, and we rely on third-parties for the air transportation service required to deliver our mail and packages to various destinations within the U.S. and abroad.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs in the accompanying unaudited *Statements of Operations.* Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between closely located facilities.

Variations in the volume and weight of mail and packages transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

Overall, transportation expenses increased 0.7% and 5.2% for the three and six months ended March 31, 2022, respectively, compared to the same periods last year. The components of transportation expenses for the three and six months ended March 31, 2022 and 2021, are presented in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2022**	**2021**	**2022**	**2021**
Highway	$ 1,420	$ 1,264	$ 3,157	$ 2,786
Air	827	915	1,783	1,828
International	106	153	240	307
Other	8	12	21	24
Total transportation expenses	**$ 2,361**	**$ 2,344**	**$ 5,201**	**$ 4,945**

Highway transportation expenses increased 12.3% and 13.3% for the three and six months ended March 31, 2022, respectively, compared to the same periods last year, primarily due to an increase in miles driven, higher average unit costs per mile, and higher average diesel fuel prices. Consistent with the tenet of our *Delivering for America* plan to optimize our transportation networks, our changes in service standards have further facilitated the shift of package volume from air to highway transportation when more economical but allowing for improved reliability and service performance.

Air transportation expenses decreased 9.6% and 2.5% for the three and six months ended March 31, 2022, respectively, compared to the same periods last year. Despite the impact of higher average jet fuel prices, air transportation expenses decreased, compared to the same periods last year, due to the overall lower package volumes and the shift of certain volumes to highway transportation.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2022 and 2021, are detailed in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2022**	**2021**	**2022**	**2021**
Supplies and services	$ 863	$ 743	$ 1,647	$ 1,553
Depreciation and amortization	414	418	827	837
Rent and utilities	514	470	985	899
Information technology and communications	277	263	513	482
Vehicle maintenance service	176	160	338	321
Rural carrier equipment maintenance	154	133	314	284
Fuel - delivery vehicles	181	122	358	236
Miscellaneous other	351	252	632	503
Total other operating expenses	**$ 2,930**	**$ 2,561**	**$ 5,614**	**$ 5,115**

Total other operating expenses increased by 14.4% and 9.8% for the three and six months ended March 31, 2022, respectively, compared to the same periods last year. We had an increase in supplies and services, an increase in rent and utilities for our facilities, and an increase in fuel for delivery vehicles due to higher average fuel prices. Aside from these items, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2022 reflect ongoing inflation and were relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

Our liquidity consists of unrestricted cash and cash equivalents plus our authorized borrowing capacity under the *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"). For additional information see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 3 - Liquidity.*

As of March 31, 2022 and September 30, 2021, we held unrestricted cash and cash equivalents of approximately $23.7 billion and $23.9 billion, respectively. During the six months ended March 31, 2022, our average daily liquidity balance was approximately $26.1 billion. This amount represented approximately 131 days of liquidity, which we define as average liquidity divided by our 2021 cash expenses (total expenses excluding depreciation expense, expenses accrued but unpaid for PSRHBF, CSRS and FERS, and the deferred employer contributions for Social Security) and capital expenditures per calendar day.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased approximately $2.1 billion for the six months ended March 31, 2022, compared to the same period last year, largely driven by the impact of the Social Security payments deferred under the *CARES Act*. During the first quarter of 2021, we deferred payments of $529 million. During the first quarter of 2022, we paid one half of the approximately $1.8 billion that had been deferred between March 27, 2020 and December 31, 2020. There were no further impacts to the second quarters of 2021 or 2022. The net decrease was also impacted by higher cash outlays due to increased operating expenses, partially offset by the advanced funding received from HHS as described in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties.*

Investing Activities

We invested $787 million in the purchase of property and equipment for the six months ended March 31, 2022, which is a decrease of $182 million, or 18.8%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.3 billion.

Financing Activities

Net cash used in financing activities was $14 million for the six months ended March 31, 2022, compared to net cash provided by operating activities of approximately $8.6 billion for the six months ended March 31, 2021, due to approximately $8.6 billion in *CARES Act* contributions from the U.S. government in the second quarter of 2021.

LIQUIDITY OUTLOOK

2022 and Beyond

While the enactment of the PSRA is a critical component of the *Delivering for America* plan and restoring the Postal Service to financial sustainability, we continue to face systemic imbalances that make our current operating model unsustainable. Although our liquidity has generally increased since 2012, it remains insufficient to pay all obligations, to make capital investments necessary for continuity of operations, and to prepare for unexpected contingencies in the medium or long-term. For additional information on our operating challenges and constraints and the relevant mitigating circumstances, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 3 - Liquidity.*

Legally Required Obligations

In addition to our obligation for unfunded retirement benefits of approximately $3.3 billion due on September 30, 2022, we expect to pay DOL approximately $1.3 billion in October 2022, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2021 to June 30, 2022, plus the estimated administrative fee. We were also obligated to prefund retiree health benefits of approximately $5.3 billion, which would have been due on September 30, 2022. However, these obligations were subsequently cancelled by the PSRA on April 6, 2022.

The *CARES Act* offered certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020 through December 31, 2020. In accordance with this provision, we had deferred approximately $1.8 billion as of December 31, 2020. One half of these deferred payments was due and paid on December 31, 2021, while the other half of these deferred payments is due by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service mission will amount to approximately $1.5 billion for the remainder of 2022, and an additional $17.9 billion for years 2023 through 2026, depending on the timing of investments to replace our delivery fleet and other appropriate capital assets, as outlined in our *Delivering for America* plan. Although our future projections include these capital cash outlays, the severity and duration of the pandemic may impact these outlays, and the future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation.

BOARD OF GOVERNORS

Congress intended for us to be governed by an eleven-member Board of Governors which consists of our Postmaster General, a Deputy Postmaster General, and nine independent Governors. As of the date of this report, we have eight Presidentially-appointed, Senate-confirmed, independent Governors in office.

On November 19, 2021, the President submitted to the Senate the nominations of Derek Kan and Daniel Mark Tangherlini to serve on the Board of Governors for terms expiring December 8, 2028, and December 8, 2027, respectively. On April 6, 2022, the Senate Homeland Security and Governmental Affairs Committee voted favorably to report these nominations to the full Senate, where they now await consideration.

APPROPRIATIONS

On March 15, 2022, the President signed H.R. 2471, the *Consolidated Appropriations Act, 2022* (Public Law 117-103). The bill provides $52.6 million to the Postal Service Fund for revenue foregone on free and reduced rate mail, which was subsequently received on April 27, 2022. It requires that mail for overseas voting and mail for the blind continue to be free; 6-day delivery and rural delivery of mail continue at not less than the 1983 level; none of the funds may be used to implement any rule, regulation, or policy of charging child support officials a fee for information concerning an address of a postal customer; none of the funds may be used to consolidate or close small and/or rural post offices; and the Postal Service does not destroy and continues to offer for sale any copies of the Multinational Species Conservation Funds Semipostal Stamp.

This bill did not provide an appropriation for the 2022 revenue forgone installment as authorized by the *Revenue Forgone Reform Act of 1993*, bringing the past due amounts unpaid by the U.S. Congress for revenue forgone to approximately $279 million. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 12 - Fair Value Measurement* in this document and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 16 - Revenue Forgone* in the Annual Report for additional information on the revenue forgone installment receivable.

LEGISLATION

On November 19, 2021, the *Build Back Better Act* (H.R. 5376), the combined budget reconciliation act, was passed by the House. The bill would allocate $7.0 billion to the Postal Service Fund to acquire electric vehicles for our fleet. It designates that $3.0 billion be used for the purchase of electric delivery vehicles and $4.0 billion for related infrastructure to support such vehicles. The bill would also allocate $23 million to our Office of Inspector General to oversee our acquisition and deployment of electric vehicles and related infrastructure. The Senate has failed to come to agreement on moving the bill forward to date.

The *Postal Service Electric Fleet Authorization Act of 2021* (H.R. 3521), a bill to modernize our fleet of delivery vehicles with electric or zero-emission vehicles, was introduced in the House on May 25, 2021. The bill would authorize $8.0 billion in funding for the acquisition of vehicles and the infrastructure required to operate a fleet of electric vehicles. There has been no further action on this bill since its introduction.

POSTAL SERVICE REFORM

On April 6, 2022, the President signed the *Postal Service Reform Act of 2022* ("PSRA"), enacted as Public Law 117-108. Beyond the financial impacts discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements, Note 1 - Basis of Presentation,* this law establishes the Postal Service Health Benefits program for the Postal Service's employees and retirees and requires their enrollment in Medicare; provides authority for the provision of certain services to state, local, and tribal governments; requires the Postal Service to develop and maintain a publicly available dashboard to track service performance and to report regularly on its operations and financial condition; codifies delivery frequency at six days per week in those areas where it is currently provided; and requires that the Postal Service maintain an integrated delivery network for mail and packages.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2022 and September 30, 2021, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements, Note 12 - Fair Value Measurement*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2022. All recognized losses have been incorporated into our financial statements as of March 31, 2022.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties in accordance with GAAP. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Critical Accounting Policies and Estimates* of our Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements and Supplementary Data*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates, and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline, and aircraft fuel for transportation of the mail, as well as fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange, or interest rate fluctuations for debt instruments. Additionally, we have not purchased or held derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt with the FFB at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in our Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

We are responsible for the preparation, integrity, and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2022. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Part I, Financial Information, Item 1. Financial Statements*, *Notes to Unaudited Financial Statements, Note 7 - Commitments and Contingencies*, as well as *Part I, Item 3. Legal Proceedings* and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 11 - Commitments and Contingencies* in our Annual Report.

ITEM 1A. RISK FACTORS

No material changes have transpired in our risk factors from the disclosures in *Part I, Item 1A. Risk Factors* in our Annual Report.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/ Louis DeJoy

Louis DeJoy

Postmaster General and Chief Executive Officer

Date: May 5, 2022

/s/ Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 5, 2022

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Louis DeJoy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 5, 2022

/s/ Louis DeJoy

Louis DeJoy

Postmaster General and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 5, 2022

/s/ Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2022, (the "Report"), I, Louis DeJoy, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Date: May 5, 2022

/s/ Louis DeJoy
Louis DeJoy
Postmaster General and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2022, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Date: May 5, 2022

/s/ Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President