



Annual Compliance Determination Report

Fiscal Year 2025

March 27, 2026

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Appendix B—Initial and Reply Comments

Appendix C—Information Requests and Responses to Information Requests

Appendix D—Reports

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ACRONYMS AND ABBREVIATIONS USED IN THIS REPORT

AAF	Alaska Adjustment Factor
AADC	automated area distribution center
AI	Automated Induction
ACD	<i>Annual Compliance Determination</i>
ACR	<i>Annual Compliance Report</i>
ADC	area distribution center
AFSMs	Automated Flat Sorting Machines
APBS	Automated Parcel and Bundle Sorter
APPS	Automated Package Processing System
ATHS	Automated Tray Handling System
BPM	Bound Printed Matter
CAG	cost ascertainment grouping/group
CET	critical entry time
CHIR	Chairman's Information Request
CLT	Critically Late Trip
CPI-U	consumer price index for all urban consumers
CPO	community Post Office
CPU	contract postal unit
CPUT	Contract Post Unit Technology
CRA	Cost and Revenue Analysis
CSDC	Change Suspension Discontinuance Center
CY	Calendar Year
DFA	Delivering for America
DDU	destination delivery unit
DSCF	destination sectional center facility
DMM	Domestic Mail Manual
DPS	delivery point sequence
ECSI	educational, cultural, scientific, or informational (value)
EPM	Electronic Postmark
EDDM	Every Door Direct Mail
EDDM-R	Every Door Direct Mail—Retail
EDW	Enterprise Data Warehouse
EMS	Express Mail Service
EOL	End of Life
FPO	foreign postal operator

FSS	Flats Sequencing System
FY	Fiscal Year
GCA	Greeting Card Association
GEPS—NPR	Global Expedited Package Services—Non-Published Rates
GXG	Global Express Guaranteed
HD	High Density
IFP	Integrated Financial Plan
ICRA	International Cost and Revenue Analysis
IMb	Intelligent Mail barcode
IMTS	International Money Transfer Service
Internal SPM	Internal Service Performance Measurement System
IAA	interagency agreement
IAS	International Ancillary Services
IPA	International Priority Airmail
ISAL	International Surface Air Lift
KPI	key performance indicator
LMI	Last Mile Impact
LPCs	local processing centers
MCS	Mail Classification Schedule
M-Bags	Airmail M-Bags
MODS	Management Operating Data System
MPV	Mail Processing Variance
NDC	network distribution center
NAPM	National Association of Presort Mailers
NPA	National Performance Assessment
NPPC	National Postal Policy Council
NSA	negotiated service agreement
NPR	Non-Published Rates
ODIS	Origin Destination Information System
OIG	Office of Inspector General
OCR	Optical Character Reader
OLRP	Officially Licensed Retail Products
PAEA	Postal Accountability and Enhancement Act
Pitney Bowes	Pitney Bowes Inc.
PO Boxes	Post Office Boxes
PostCom	Association for Postal Commerce
Postal Service	United States Postal Service
PR	Public Representative
PSRA	Postal Service Reform Act of 2022
PVO	Postal Vehicle Operator
RHB	retiree health benefits
RPDCs	regional processing and distribution centers
RPW	Revenue, Pieces, and Weight
RTHs	Regional Transfer Hubs
RTO	regional transportation optimization

S&DC	Sorting and Delivery Center
SCF	sectional center facility
SPM	service performance measurement
SIPS	Single Induction Package Sorter
SSKs	self-service kiosks
STCs	Surface Transfer Centers
SV	surface visibility
SWI	Standard Work Instructions
THS	Terminal Handling Services
U.S.C.	United States Code
UPU	Universal Postal Union
USO	universal service obligation
VPO	Village Post Office
WebEOR	Web End of Run
WEMS	Work Hour Efficiency Management System
WIP	work in process

EXECUTIVE SUMMARY

The Postal Regulatory Commission is an independent federal agency established in 1970 and later enhanced under the Postal Accountability and Enhancement Act (PAEA)¹ to oversee the U.S. Postal Service, America's primary provider of mail and package delivery to 170 million addresses nationwide. It regulates the Postal Service by reviewing and approving rate changes for products over which the Postal Service holds a monopoly, such as First-Class Mail, monitoring service standards and actual performance against those standards, safeguarding the universal service obligation (USO) for affordable nationwide access, and issuing annual performance reports—using data-driven proceedings open to public input. The Commission's significance lies in protecting consumers and businesses from monopoly pricing, working to make sure the Postal Service doesn't compete unfairly with the private sector, and supporting the Postal Service's financial stability and provision of universal service, which is especially critical for rural and low-income Americans who are more reliant on the mail. The Commission balances efficiency incentives with public interest and safeguards the nationwide postal delivery network, "bind[ing] the Nation together" through reliable mail infrastructure vital for elections, commerce, and government services. 39 U.S.C. § 101(a).

This Report reviews the Postal Service's *Annual Compliance Report (ACR)* detailing activities conducted during Fiscal Year (FY) 2025 (October 1, 2024 to September 30, 2025), fulfilling the Commission's responsibility to produce an annual assessment of Postal Service rates and service mandated by 39 U.S.C. §§ 3653 and 3705. It is based on information the Postal Service is required to provide within 90 days after the close of the fiscal year and on comments subsequently received from the public. Commission findings and directives are identified in italics in each chapter and summarized in Appendix A.

Consistent with the approach adopted in past years, the *Annual Compliance Determination (ACD)* focuses on compliance issues as defined in 39 U.S.C. §§ 3653(b)(1) and (b)(2) and 3705(e). These statutory subsections require the Commission to make determinations on whether any rates and fees in effect during FY 2025 were not in compliance with chapters 36 and 37 of Title 39 of the United States Code and whether any service standards in effect during FY 2025 were not met. A financial analysis is expanded in the report titled *Financial Analysis of United States Postal Service Financial Results and 10-K Statement 2025* that will be issued later this spring. The Commission will also issue a separate report on the Postal Service's *FY 2025 Annual Performance Report and FY 2026 Performance Plan*.

¹ Pub. L. 109-435, 120 Stat. 3198, 3207 (2006).

Notable Commission findings and determinations for FY 2025 are:

- **Market Dominant Rate and Fee Compliance.** In Chapter II, the Commission determines that all FY 2025 rates complied with applicable rate authority provisions and that all workshare discounts were compliant when introduced based on the most recent avoided cost data. The Postal Service is required to bring any current discounts that are out of compliance with relevant regulations based on the new FY 2025 avoided costs into compliance in the next Market Dominant rate adjustment.
- **Market Dominant Non-Compensatory Classes and Products.** In Chapter III, the Commission finds that the Postal Service incurred \$711.6 million in losses from non-compensatory classes and products in FY 2025. Periodicals was the only non-compensatory class, and both products within that class were non-compensatory, while Alaska Bypass Service (Package Services class) and USPS Marketing Mail Flats (USPS Marketing Mail class) were also non-compensatory. The Commission directs the Postal Service to adjust prices for these products, consistent with existing regulations in upcoming FY 2026 Market Dominant rate proceedings.
- **Competitive Products.** In Chapter IV, the Commission finds that total revenues for Competitive products were not subsidized by Market Dominant products during FY 2025, thereby satisfying 39 U.S.C. § 3633(a)(1). The Commission also finds that collectively, Competitive products satisfied the appropriate share requirement of 39 U.S.C. § 3633(a)(3). However, revenues for 18 Competitive products did not cover attributable costs and, therefore, did not comply with 39 U.S.C. § 3633(a)(2). Revenues for 5 Competitive domestic contracts included in Non-Published Rates (NPR) products, and 6 Competitive international sub-products or components, did not cover their attributable costs, even though the product covered its attributable costs.
- **Nonpostal Products and Services.** In Chapter V, the Commission finds that Market Dominant and Competitive legacy nonpostal products complied with the applicable requirements of 39 U.S.C. chapter 37 and that Competitive legacy nonpostal products satisfied the cost coverage requirement of 39 U.S.C. § 3633(a)(2) in FY 2025. As it relates to the Postal Service's interagency agreements (IAAs), the Commission finds that the Postal Service's IAAs provided a net contribution to the Postal Service in compliance with 39 U.S.C. § 3704 during FY 2025.
- **Service Performance.** In Chapter VI, the Commission finds that 20 out of 27 Market Dominant products/categories failed to meet their FY 2025 service performance targets and directs the Postal Service to take corrective action to achieve compliance in FY 2026. This occurred despite the Postal Service lowering its targets for 19 products/categories in FY 2025. The remaining seven products met their targets. Commission analysis also confirms that changes to the service performance measurement system, particularly the Sunday/Holiday exclusion, produce a meaningful but uneven increase in reported service performance scores, as much as 2.1 percentage points for some products' annual on-time performance. The Commission directs the Postal Service to improve service performance results to

achieve the applicable on-time percent target level for all non-compliant products in FY 2026. The Commission has developed specific directives that are designed to provide increased transparency for the public about the government-owned postal operator's ongoing efforts to restore service performance for those products in FY 2026. These directives include continued Postal Service reporting of specific information developed from its internal metrics within 90 days of the issuance of this ACD and as part of the Postal Service's FY 2026 ACR.

- **Flats.** In Chapter VII, the Commission finds that overall cost coverage for flats products improved in FY 2025, with 5 out of 8 flats products covering their costs and unit revenue rising across all 8 flat categories. However, unit costs for non-compensatory flats increased significantly, and service performance continued to decline for most categories. Persistent operational challenges, such as bundle breakage rates, in addition to increased purchased transportation costs and delivery costs contributed to these results. The Commission provides several recommendations for the Postal Service to collect, improve, and analyze data on specific flats initiatives.

CHAPTER I. INTRODUCTION

A. The Commission's Role in Postal Regulation

The Postal Regulatory Commission is an independent federal agency established in 1970 and later enhanced under the Postal Accountability and Enhancement Act (PAEA)² to oversee the U.S. Postal Service, America's primary provider of mail and package delivery to 170 million addresses nationwide. It regulates the Postal Service by reviewing and approving rate changes for products over which the Postal Service holds a monopoly, such as First-Class Mail, monitoring service standards and actual performance against those standards, safeguarding the universal service obligation (USO) for affordable nationwide access, and issuing annual performance reports—using data-driven proceedings open to public input. The Commission's significance lies in protecting consumers and businesses from monopoly pricing, working to make sure the Postal Service doesn't compete unfairly with the private sector, and supporting the Postal Service's financial stability and provision of universal service, which is especially critical for rural and low-income Americans who are more reliant on the mail. The Commission balances efficiency incentives with public interest and safeguards the nationwide postal delivery network, "bind[ing] the Nation together" through reliable mail infrastructure vital for elections, commerce, and government services. 39 U.S.C. § 101(a).

B. Statutory Context

United States Code Title 39 Section 3652 requires the Postal Service to file certain reports with the Commission regarding Postal Service costs, revenues, rates, and service during the prior fiscal year, including the Postal Service's ACR.³ Section 3653(b) requires the Commission to review the Postal Service's ACR and issue an ACD evaluating whether rates or fees were non-compliant with the applicable provisions of chapter 36 of Title 39 of the United States Code (or regulations issued thereunder) and whether any service standards were not met in the fiscal year under review. 39 U.S.C. § 3653(b). The Postal Service Reform Act of 2022 (PSRA)⁴ expanded the Postal Service's annual reporting requirements to include costs, revenues, rates, and quality of service for nonpostal services for the fiscal year under review. *See* 39 U.S.C. § 3705(a). The PSRA requires the Commission to review this reporting and determine whether the activities complied with applicable provisions of chapter 37 of Title 39 of the United States Code. *See* 39 U.S.C. § 3705(e); 39 U.S.C. § 3652(a).

² Pub. L. 109-435, 120 Stat. 3198, 3207 (2006).

³ The ACR is filed in accordance with the provisions appearing in 39 U.S.C. § 3652(a) through (f). In conjunction with filing the ACR, the Postal Service must also file its most recent *Comprehensive Statement on Postal Operations*, its *FY 2026 Performance Plan*, and its *FY 2025 Performance Report*. 39 U.S.C. § 3652(g).

⁴ Pub. L. 117-108, 136 Stat. 1127 (2022).

The provisions of chapters 36 and 37 of Title 39 of the United States Code establish the ACR and the ACD as integrated mechanisms for providing ongoing accountability, transparency, and oversight of the Postal Service. This ACD focuses on the requirements appearing in 39 U.S.C. §§ 3653(b)(1), 3653(b)(2), and 3705(e).

Consistent with past practice, the Commission plans to issue its analysis of the Postal Service's financial results and Form 10-K later in FY 2026. *See, e.g.*, FY 2023 Financial Analysis. Similarly, the Commission will continue publishing a separate analysis evaluating the Postal Service's performance plans and program performance report pursuant to 39 U.S.C. § 3653(d).⁵

C. Timeline and Review of Report

The Postal Service must file the ACR no later than 90 days after the end of each fiscal year (i.e., 90 days after September 30). Upon receipt of the ACR, the Commission provides an opportunity for public comment on the Postal Service's submissions.⁶ For the fiscal year under review, the Commission must make a written determination within 90 days of the Postal Service's filing, identifying any rates or fees that were not in compliance with applicable provisions of chapters 36 and 37 of Title 39 or related regulations and whether any service standards were not met. 39 U.S.C. § 3653(b); 39 U.S.C. § 3705(e). In making this determination, the Commission shall take such action as it deems appropriate. 39 U.S.C. § 3653(c); 39 U.S.C. § 3705(e)(3). The Postal Service filed the FY 2025 ACR on December 29, 2025; thus, the Commission must issue this ACD no later than March 30, 2026.⁷

D. Focus of the ACR

The focus of the ACR is to “analyze costs, revenues, rates, and quality of service, using such methodologies as the Commission shall by regulation prescribe, and in sufficient detail to demonstrate that all products during such year complied with all applicable requirements of this title . . .” 39 U.S.C. § 3652(a)(1).

For Market Dominant products, the Postal Service must include product information, volumes, and measures of quality of service, including the speed of delivery, reliability, and the degree of customer satisfaction. 39 U.S.C. § 3652(a)(2); 39 C.F.R. pt. 3055. For each product that had a workshare discount, the Postal Service must report the per-item cost it avoided through the activity performed by the mailer, the percentage of the per-item cost avoided that the current discount represents, and the per-item contribution to institutional costs. 39 U.S.C. § 3652(b).

⁵ See Order No. 9422. Initial and reply comment deadlines were established as March 13, 2026, and March 27, 2026, respectively. *Id.* at 4.

⁶ 39 U.S.C. § 3653(a). Additionally, the Commission is required to appoint an officer of the Commission who shall represent the interests of the public. *Id.*; see 39 U.S.C. § 505.

⁷ The technical 90-day Commission deadline falls on March 29, 2026, a Sunday. In accordance with 39 C.F.R. § 3010.108(c), the Commission must submit its determination on the next business day, i.e., March 30, 2026.

For Competitive products, the Postal Service must demonstrate that all Competitive products complied with 39 U.S.C. § 3633, which prohibits the subsidization of Competitive products by Market Dominant products and requires that each Competitive product covers its attributable costs and that Competitive products collectively cover what the Commission determines to be an appropriate share of the Postal Service's institutional costs. *See* 39 U.S.C. § 3633(a).

For nonpostal services in effect during the fiscal year under review, the Postal Service must demonstrate compliance with the applicable provisions of chapter 37 of Title 39 of the United States Code. *See* 39 U.S.C. § 3705(e)(2).⁸

By regulation, in developing periodic reports such as the ACR, the Postal Service must use only accepted analytical principles. *See* 39 C.F.R. § 3050.10. Accepted analytical principles refer to economic, mathematical, or statistical theories, precepts, or assumptions that were applied by the Commission in its most recent ACD, unless different analytical principles were subsequently accepted by the Commission in a final rule. 39 C.F.R. § 3050.1(a), (c).

In this proceeding, the Postal Service relies upon seven approved methodology changes.⁹

E. Organization of the FY 2025 ACD

In Chapter II, the Commission discusses compliance with the system of ratemaking for Market Dominant products, which includes workshare discount compliance with applicable requirements. Chapter III focuses on other compliance issues related to Market Dominant products' rates and fees, including non-compensatory classes and products. Chapter IV covers compliance issues related to the rates and fees of Competitive products. In Chapter V, the Commission discusses nonpostal issues including legacy nonpostal products and interagency agreements. In Chapter VI, the Commission discusses service performance, customer access, and customer satisfaction. In Chapter VII, the Commission discusses flats-related issues.

There are five appendices to this ACD. Appendix A contains Commission findings and directives. Appendix B contains a list of comments filed in this proceeding and their citations, organized by commenter. Appendix C contains a list of Chairman's Information Requests (CHIRs), the Postal Service's responses to the information requests, and the citations to these filings, organized in numerical order. Appendix D contains an index of reports typically relied upon and cited to as part of the ACD. Appendix E contains an index of orders typically relied upon and cited to as part of the ACD.

⁸ For agreements with an agency of any State government, local government, or tribal government to provide property or nonpostal services to the public on behalf of such agencies for non-commercial purposes entered into under 39 U.S.C. § 3703, the Postal Service must include costs, revenues, rates, and quality of service for each agreement or substantially similar set of agreements. 39 U.S.C. § 3705(a)(1). For the Postal Service's program to provide property and nonpostal services to other Government agencies within the meaning of 39 U.S.C. § 411, the Postal Service must include costs, revenues, rates, and quality of service for the program as a whole established under 39 U.S.C. § 3704. 39 U.S.C. § 3705(a)(1).

⁹ Order No. 8002; Order No. 8459; Order No. 8882; Order No. 8907, which contained multiple proposed changes in analytical principles; Order No. 8990.

The Commission acknowledges the proposals filed by the Postal Service as part of Docket No. RM2024-4.¹⁰ Both initial and reply response periods related to the Postal Service Petitions and any other petitions filed in that docket (February 17, 2026 and March 2, 2026, respectively) have passed. The proposals continue to be pending before the Commission. All comments received in the instant docket that relate to issues presented in Docket No. RM2024-4 and by the Postal Service Petitions are considered outside the scope of the FY 2025 ACD.

F. Procedural History

On December 29, 2025, the Postal Service filed its FY 2025 ACR, covering October 1, 2024, through September 30, 2025. *See* FY 2025 ACR. The ACR includes extensive narrative and substantial detailed public and non-public information contained in library references. The library references include the Cost and Revenue Analysis (CRA), the International Cost and Revenue Analysis (ICRA), cost models supporting workshare discounts, and billing determinants. The library references also include the Postal Service's Roadmap Document to the FY 2025 ACR, which contains a brief description of each library reference, a list of material changes in methodology, and a discussion of obsolescence in accordance with 39 C.F.R. § 3050.12.¹¹ The Postal Service concurrently filed its FY 2025 Annual Report and FY 2025 Comprehensive Statement on Postal Service Operations as part of Library Reference USPS-FY25-17. *See* FY 2025 Annual Report.

On December 30, 2025, the Commission issued an order establishing Docket No. ACR2025 to consider the ACR, appointing a Public Representative to represent the interests of the general public, and establishing January 27, 2026, and February 10, 2026, as the deadlines for comments and reply comments, respectively. *See* Order No. 9417.

G. Confidentiality

Commission rules require the Postal Service, when it files non-public materials with the Commission, to file an application for non-public treatment which must clearly identify all non-public materials and fulfill the burden of persuasion that the materials should be withheld from the public. 39 C.F.R. §§ 3011.200(a), 3011.201. The FY 2025 ACR includes such an application with respect to certain Competitive and international products. FY 2025 ACR, Attachment 2.

¹⁰ *See* Order No. 9427; *see also* Docket Nos. RM2021-2, RM2022-5, RM2022-6, RM2024-4, United States Postal Service Petition for Rulemaking to Repeal the Minimum Remittance Payment Requirement, December 22, 2025; United States Postal Service Petition for Rulemaking to Modify the Market-Dominant Ratemaking System to Achieve Objectives 5 and 8, December 22, 2025 (Postal Service Petitions).

¹¹ *See* Library Reference USPS-FY25-0, December 29, 2025, Excel file "USPS-FY25-0_Roadmap.xlsx."

H. Requests for Additional Information

Beginning on January 9, 2026, 14 CHIRs were issued with respect to the ACR. *See generally* Appendix C. The Postal Service responded to the CHIRs.¹²

On January 12, 2026, the National Postal Policy Council (NPPC) filed a motion for issuance of information request, which was issued as CHIR No. 3 on January 21, 2026.¹³

¹² *See generally id.* On January 23, 2026, the Postal Service filed a motion for late acceptance of its response to CHIR No. 1. Motion of the United States Postal Service for Late Acceptance of the Response to Questions 1, 21, 25, 27, 30 of Chairman's Information Request No. 1, January 23, 2026. This motion is granted.

¹³ Motion for Issuance of Chairman's Information Request, January 12, 2026; *see* CHIR No. 3.

CHAPTER II. MARKET DOMINANT PRODUCTS: PRICING REQUIREMENTS

A. Introduction

The system for regulating rates and classes for Market Dominant products was modified in FY 2021 as new regulations went into effect on January 14, 2021, which included new rate authority mechanisms and new requirements for workshare discounts. *See generally* Order No. 5763. On April 5, 2024, the Commission opened Docket No. RM2024-4 to review the ratemaking system for Market Dominant products to determine whether the current ratemaking system is achieving the objectives in 39 U.S.C. § 3622(b), taking into account the factors in 39 U.S.C. § 3622(c). Order No. 7032 at 1, 19-23. The Commission's review of the ratemaking system in Docket No. RM2024-4 remains ongoing and the Commission has issued several orders, including an order that modifies two aspects of the ratemaking system.¹⁴ To date, the rate authority mechanisms set forth in Order No. 5763 remain unchanged. Chapter II discusses the class-level price cap and workshare discounts. Key findings are as follows:

- at the time of *Commission* approval, all rate increases in FY 2025 complied with all relevant regulations;
- at the time of Commission approval, all workshare discounts in effect in FY 2025 complied with all relevant workshare regulations; and
- the Postal Service must bring all current workshare discounts that are not equal to their FY 2025 avoided costs into compliance with relevant workshare regulations in the next rate adjustment proceeding.

¹⁴ *See generally* Order No. 8891; Order No. 8892; Order No. 8893; Order No. 9426; Order No. 9427. More specifically, based upon a comprehensive findings order, the Commission determined that the ratemaking system is not achieving the objectives in 39 U.S.C. § 3622(b), taking into account the factors in 39 U.S.C. § 3622(c) and initiated a phased rulemaking process to consider modifications necessary to achieve the statutory objectives. Order No. 8891 at 1, 144; Order No. 8892 at 1-2. On January 13, 2026, the Commission issued Order No. 9426, which limits the frequency of rate increases above the *de minimis* threshold and adds criteria for workshare discount compliance. *See generally* Order No. 9426. The Commission intends to pursue other changes to the ratemaking system in Docket No. RM2024-4 and has issued an order setting forth a deadline for interested persons to submit petitions under 39 C.F.R. § 3010.201(b)(1) to modify the ratemaking system or to adopt an alternative system pursuant to 39 U.S.C. § 3622(d)(3). *Id.* at 16, 202-06; Order No. 9427 at 4-5.

B. The Class-Level Price Cap

1. Introduction

The regulations as set out in Order No. 5763 provide for multiple forms of rate authority. 39 C.F.R. § 3030.127(a). In particular, in addition to rate authority based on the change in consumer price index for all urban consumers (CPI-U) and any unused banked rate authority, which existed prior to the Commission's issuance of Order No. 5763,¹⁵ the maximum rate adjustment authority available to the Postal Service for each Market Dominant class under the new regulations also includes:

- density rate authority (39 C.F.R. part 3030, subpart D), which grants additional rate authority to the Postal Service based on unit cost increases caused by the decline in mail density as the Postal Service delivers fewer mailpieces to more delivery points;
- retirement obligation rate authority (39 C.F.R. part 3030, subpart E), which grants additional authority based on specific retirement liabilities as a driver of the Postal Service's net losses beyond the Postal Service's control; and
- when applicable, non-compensatory class rate authority (39 C.F.R. part 3030, subpart G), which grants an additional 2 percentage points of rate authority for classes where costs of all products exceed revenues of all products.¹⁶

The Commission approved one omnibus rate adjustment that went into effect during 2025.¹⁷ The Commission approved the rate adjustment in Docket No. R2025-1 on May 30, 2025, and it went into effect on July 13, 2025. In Docket No. R2025-1, CPI-U accounted for 2.915 percent of the total 7.385 percent rate authority newly available to the Postal Service.¹⁸ Figure II-1 shows the amount of rate authority by type available to the Postal Service in this docket.

Additionally, in Docket No. R2023-3, the Commission approved an incentives-only rate adjustment that consisted of volume-based incentives for First-Class Mail and USPS Marketing Mail. Order No. 6713 at 32. The Commission approved the incentives on September 27, 2023, and they first went into effect on January 1, 2024. *Id.* at 1, 32. The

¹⁵ CPI-U based rate authority (39 C.F.R. part 3030, subpart C) grants the authority to the Postal Service to raise rates based on monthly changes in the CPI-U as published by the Bureau of Labor Statistics, and banked rate authority (39 C.F.R. part 3030, subpart H) includes unused rate adjustment authority accumulated for future use pursuant to certain rules.

¹⁶ 39 C.F.R. § 3030.127(a); Order No. 5763 at 72, 100, 189-91. Density rate authority, retirement obligation rate authority, and non-compensatory class rate authority are available to the Postal Service only once annually and must be included in the calculation of the maximum rate adjustment authority in the first generally applicable rate adjustment after the authority becomes available. See 39 C.F.R. §§ 3030.160(c), 3030.181(c), 3030.222(b). In FY 2025, those authorities became available March 28, 2025. Order No. 8760 at 1, 12.

¹⁷ See Order No. 8867. Docket No. R2025-1 was the first and only rate adjustment proceeding in FY 2025 after Order No. 8760 and, accordingly, used the newly available density, retirement obligation, and non-compensatory class rate authorities.

¹⁸ The Commission utilizes a 12-month rolling average methodology for calculating CPI-U changes. See 39 C.F.R. § 3030.128. The 12-month average for FY 2024 is 311.581 and the 12-month average for FY 2025 is 319.997. Thus, from FY 2024 to FY 2025, CPI-U increase = $(319.997/311.581) - 1 = 2.701$ percent. In Docket No. R2025-1, the total rate authority newly available to the Postal Service was 9.385 percent for the Periodicals class, and 7.385 percent for each of the following mail classes: First-Class Mail, USPS Marketing Mail, Package Services, and Special Services. Order No. 8867 at 7.

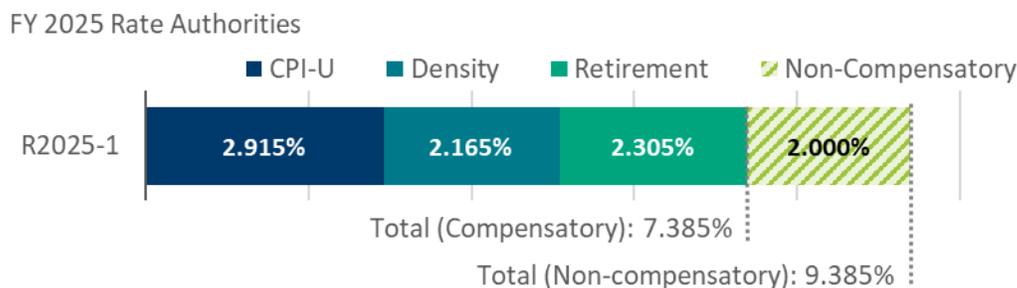
incentives lowered the price for certain pieces of qualifying mail. *Id.* at 4-5. The Postal Service did not initially seek to include the promotional volume in the price cap calculation to generate additional rate authority based on the incentives at the time of filing, nor did it seek to do so in the two FY 2024 rate adjustment proceedings (Docket Nos. R2024-1 and R2024-2). In Docket No. R2025-1, however, the Postal Service proposed to generate rate adjustment authority from the incentives. Order No. 8867 at 42. The Commission concluded that the incentives met the requirements of 39 C.F.R. § 3030.128(f)(2) to be included in the percentage change in rates calculations and to generate rate adjustment authority.¹⁹ With sufficient billing determinants available from Calendar Year 2024, the promotional volume associated with the incentives was included in the price cap calculations for First-Class Mail and USPS Marketing Mail in Docket No. R2025-1. Additionally, the Commission concluded that sufficient billing determinants existed to include the following promotions in the percentage change in rates calculations in Docket No. R2025-1: the Tactile, Sensory, and Interactive Mailpiece Engagement Base/Primary Promotion, the Integrated Technology Base/Primary Promotion, the First-Class Mail Advertising Base/Primary Promotion, and the Catalog Insights Base/Primary Promotion.²⁰

At the time of Commission approval, all rates implemented in FY 2025 complied with all relevant rate authority provisions, in accordance with 39 C.F.R. §§ 3030.127 and 3030.128. Order No. 8867 at 3.

¹⁹ *Id.* at 43-47. In Docket No. RM2020-5, the Commission amended the rules for determining when rate incentives for Market Dominant products could be used to generate rate adjustment authority. *See generally* Order No. 8708. Under the prior rules, a rate incentive could be used to generate rate adjustment authority only if it was a rate of general applicability. *Id.* at 6. Under those rules, rate incentives like those approved in Docket No. R2023-3 that are based on increased volume from a comparison period to an incentive period were mailer-specific and could not be considered generally applicable. *Id.* at 28. Under the amended rules, a rate incentive that is not a rate of general applicability can be included in the percentage change in rates calculations and be used to generate rate authority if it satisfies certain criteria. *Id.* at 32; 39 C.F.R. § 3030.128(f)(2).

²⁰ Order No. 8867 at 24-25. The Commission also notes that other, longstanding incentives, specifically the Full-Service Intelligent Mail barcode (IMb) incentive and the Seamless Acceptance Incentive for First-Class Mail and USPS Marketing Mail, were also included in the percentage changes of rates calculations.

Figure II-1
Available Rate Authority by Rate Case



Source: See Docket No. R2025-1, Library References PRC-LR-R2025-1-1 through PRC-LR-R2025-1-5, May 30, 2025. Non-compensatory authority only applies to classes of mail found to be non-compensatory as determined by the Commission. 39 C.F.R. § 3030.220. For FY 2025, the only non-compensatory class was Periodicals. See generally FY 2024 ACD. Banked authority differs by class based on the difference between the total authority available to the Postal Service under each type of rate authority in prior rate adjustment proceedings and how much the Postal Service has elected to use for each class in those proceedings and is not shown in this graph.

2. Comments

The News.Media Alliance (N/MA) argues that the Postal Service use of rate authorities for Periodicals mail “is not working.” N/MA Comments at 2. N/MA describes rate increases as “excessive” and argues that, despite the rate increases, total revenue for Periodicals has decreased as a result of a “shrinking number” of Periodicals mailpieces. *Id.* N/MA acknowledges that it will make specific recommendations for changes in Docket No. RM2024-4. *Id.* at 3. N/MA encourages the Postal Service to not exercise the additional 2 percentage points of rate adjustment authority available to non-compensatory classes under 39 C.F.R. § 3030.222(a) in the next rate adjustment proceeding. *Id.* The Association for Postal Commerce (PostCom) also questions the additional rate authority for non-compensatory products and classes and argues that rate increases may have exacerbated the decline in Periodicals volume. PostCom Comments at 2-3. The Postal Service disputes the contention that Periodicals rate increases are excessive when the Periodicals class “still fails to cover its costs.” Postal Service Reply Comments at 4. The Postal Service states that while Periodicals volume fell by 34 percent, its revenue fell by “only 6 percent.” *Id.* at 5. The Postal Service argues that this demonstrates that “the new rate authorities are doing a commendable job of buffering revenue against volume loss and the associated rise in unit costs.” *Id.* The Postal Service contends that commenters are misguided in their attempts to attribute volume declines to price changes. *Id.* at 4, 6. The Postal Service states that the Commission has previously found that higher price increases in the Periodicals class are not increasing price sensitivity.²¹

Additionally, based upon the range of cost coverages among Market Dominant products, PostCom argues that the Postal Service is “using its considerable latitude” within its available rate authority to set rates that fall short of just and reasonable. PostCom

²¹ *Id.* at 7 (citing Docket No. RM2024-4, Revised Elasticity Study at 2-3, 57).

Comments at 1. The Postal Service argues that the Commission has rejected PostCom's contention that the cost coverages for Market Dominant products are excessive and a statutory problem. Postal Service Reply Comments at 3.

3. Commission Analysis

In response to N/MA, the Commission reiterates that all rates implemented in FY 2025 complied with all applicable Commission rate authority provisions, and that the Commission's regulations permit the Postal Service to use the maximum amount of rate authority available to it in the next rate adjustment proceeding. The Commission acknowledges, however, that use of rate authority pursuant to 39 C.F.R. § 3030.222(a) is optional. Additionally, the regulations set forth in Order No. 5763 that provide for multiple forms of rate authority have been in effect for 5 years. Order No. 5763 at 1, 370. The Commission planned for a review after 5 years but recognized that certain conditions and circumstances could merit a review sooner. *See id.* at 267. The Commission initiated that review approximately 2 years earlier than initially contemplated, in response to the Postal Service's deteriorating financial conditions accompanied by volume declines as well as stakeholder concerns on a variety of issues related to the Market Dominant ratemaking system. The Commission determined that the ratemaking system is not achieving the objectives in 39 U.S.C. § 3622(b) when taking into account the factors in 39 U.S.C. § 3622(c) and initiated a phased rulemaking process to consider modifications necessary to achieve the statutory objectives. Order No. 8891 at 1, 144; Order No. 8892 at 1-2. The Commission reiterates that Docket No. RM2024-4 is ongoing, wherein interested persons have been provided a deadline to submit petitions to modify the ratemaking system or to adopt an alternative system.²² That docket is the appropriate forum to propose changes associated with the Commission's rate authority provisions.

C. Workshare Discounts

1. Introduction

Workshare discounts provide reduced prices for mail that is prepared or entered in a manner that avoids certain activities the Postal Service would otherwise have to perform, such as presorting, barcoding, handling, or transportation, and relieves the Postal Service of the cost of performing those activities. These workshare discounts are based on the avoided costs that result from the mailer performing the activity instead of the Postal Service.

A passthrough represents the relationship between the amount of the workshare discount and the avoided cost, calculated by dividing the workshare discount by its avoided cost and expressing the result as a percentage.²³ When a workshare discount equals avoided cost,

²² Order No. 9426 at 16, 202-206; Order No. 9427 at 1-2, 4. As noted above, the Commission has, to date, issued an order that modifies two aspects of the ratemaking system. *See generally* Order No. 9426.

²³ For example, if the Postal Service offers a discount of \$0.020 for mailers to apply a barcode to their mail, and this barcoding allows the Postal Service to avoid \$0.022 in cost, then the worksharing passthrough is calculated as $\$0.020/\$0.022 = 0.909$ or a passthrough of 90.9 percent. Both the workshare discount and the avoided cost should be rounded to three decimal places (i.e., the nearest thousandth or \$0.001). The passthrough percentage should be rounded to one decimal place.

the passthrough is 100 percent. If a workshare discount is less than the avoided cost, then the passthrough is below 100 percent. Conversely, if a workshare discount is greater than the avoided cost, then the passthrough is above 100 percent.

2. Workshare Discount Regulations

The Commission's regulations contain several pricing requirements for workshare discounts that must be complied with in each rate adjustment proceeding.²⁴ Workshare discounts are primarily regulated through rate adjustment proceedings, and only workshare discounts consistent with the regulations are approved by the Commission and permitted to go into effect. *See, e.g.*, Order No. 8867 at 8-9, 86, 103, 118, 131.

The Commission's regulations provide that, based on the avoided costs established in the most recent ACD, workshare discounts set above avoided costs cannot be increased, workshare discounts set below avoided costs cannot be decreased, and workshare discounts with 100 percent passthroughs cannot be changed. 39 C.F.R. § 3030.282. Additionally, workshare discounts cannot be set above or below their avoided costs in a rate adjustment proceeding unless a specific exemption applies. *Id.* §§ 3030.283, 3030.284.

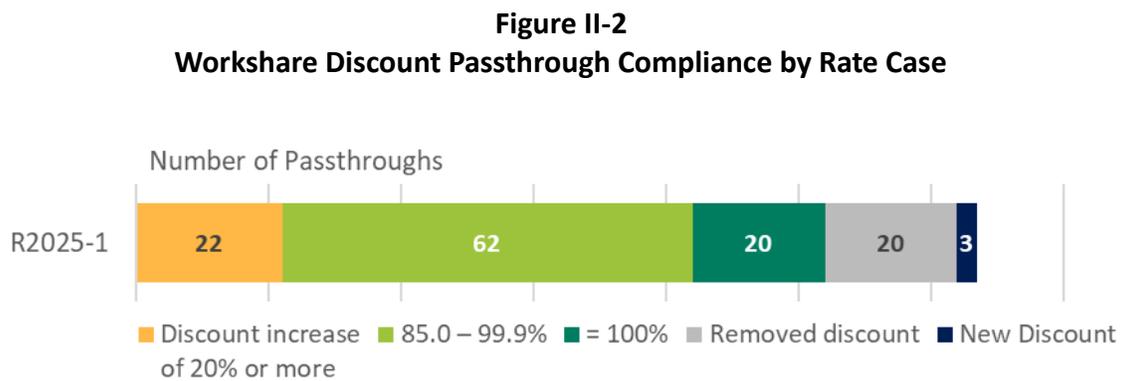
A workshare discount that exceeds its avoided cost is only permissible if one of the following exceptions applies: (1) the proposed workshare discount is associated with a new postal service, a change to an existing postal service, or a new workshare initiative; (2) the proposed workshare discount is a minimum of 20 percent less than the existing workshare discount; or (3) the proposed workshare discount is provided in connection with a subclass of mail, consisting exclusively of mail matter of educational, cultural, scientific, or informational (ECSI) value. *Id.* § 3030.283(a)-(c), (e). In order for the ECSI exception to apply, the Postal Service must provide additional supporting information with its rate adjustment filing. *Id.* § 3030.285(c).

In addition, a workshare discount that exceeds avoided cost will be permitted if the Commission has granted a waiver of the application of 39 C.F.R. § 3030.283 pursuant to 39 C.F.R. § 3030.286. *Id.* § 3030.283(d). For a workshare discount that exceeds avoided cost, the application for waiver will be granted only if at least one provision appearing in 39 U.S.C. § 3622(e)(2)(A) through (e)(2)(D) or 39 U.S.C. § 3622(e)(3)(A) through (e)(3)(B) applies. *Id.* § 3030.286(f). Such provisions consider, among other things, preventing a loss of volume and reduction in contribution, phasing out discount gaps over time to mitigate rate shock, and avoiding an impediment to the efficient operation of the Postal Service. In Docket No. R2025-1, no such waivers were requested by the Postal Service, no workshare discounts were set above avoided costs, and all discounts complied with applicable regulations.

²⁴ See 39 C.F.R. pt. 3030, subpt. J. The Commission recently amended its rules for workshare discount compliance to restrict the Postal Service from setting workshare discounts farther away from their avoided costs unless the Commission has granted a waiver under 39 C.F.R. § 3030.286. Order No. 9426 at 1, 188, 202. Those changes will be relevant to evaluating workshare discount compliance with the Commission's regulations in future ACDs.

A workshare discount that is less than its avoided cost is only permissible if one of the following exceptions applies: (1) the proposed workshare discount is associated with a new postal service, a change to an existing postal service, or a new workshare initiative; (2) the proposed workshare discount is a minimum of 20 percent more than the existing workshare discount; or (3) the percentage passthrough for the proposed workshare discount is at least 85 percent. *Id.* § 3030.284(a)-(c), (e). In addition, a workshare discount that is less than its avoided cost will be permitted if the Commission has granted a waiver of the application of 39 C.F.R. § 3030.284 pursuant to 39 C.F.R. § 3030.286. *Id.* § 3030.284(d). For a workshare discount that is less than its avoided cost, the application for waiver will be granted only if setting the workshare discount closer or equal to its avoided cost would impede the efficient operation of the Postal Service or if increasing or eliminating the workshare discount for a non-compensatory product would result in a further increase in the rates paid by mailers not able to take advantage of the discount. *Id.* § 3030.286(g). In Docket No. R2025-1, no such waivers were requested by the Postal Service, no workshare discounts set below avoided costs received a waiver, and all discounts complied with the applicable regulations.

Figure II-2 shows the total number of workshare discount passthroughs by compliance type approved in Docket No. R2025-1.



At the time of Commission approval, and as represented by Figure II-2, all workshare discounts in effect in FY 2025 complied with all workshare provisions, in accordance with 39 C.F.R. §§ 3030.282, 3030.283, and 3030.284.

3. Comments on Workshare Discounts

a. Compliance with Workshare Discount Rules

PostCom contends that, in the aggregate, the Postal Service "continues to send inefficient price signals[]" through its workshare discounts. PostCom Comments at 3. PostCom argues that the number of passthroughs that fall below 85 percent "greatly exceeds" those that are greater than 100 percent and demonstrates that the Postal Service is "minimally compliant" with the Commission's workshare discount rules. *Id.* PostCom argues that "this approach subvert[s] the intent of the 85 percent floor" and that, "by attempting to minimize the passthrough of avoided costs, the Postal Service is likely to make discounts, and by extension rates, more volatile." *Id.* at 4. PostCom argues that incentives to participate in worksharing fail when the discount is insufficient to change mailer behavior, which is "inevitable" when passthrough percentages are "consistently below" 100 percent and "urges the Commission to exercise greater control over discounts that continually fail to meet the 85 [percent] pass through floor." *Id.* at 3-4. PostCom argues that the Postal Service's pricing signals and operational decisions "driv[e] mail upstream to less efficient operations[]" which increases costs as the Postal Service "chases efficiencies that either do not exist or no longer exist due to decreased economies of scale and lost volumes." *Id.* at 4.

NPPC and Pitney Bowes highlight the importance of the First-Class Mail 5-Digit Automation Letters passthrough. NPPC Comments at 4; Pitney Bowes Comments at 2. Pitney Bowes emphasizes that the First-Class Mail 5-Digit Automation Letters price category is the most important rate for commercial mailers, but that the First-Class Mail 5-Digit Automation Letters passthrough is only 80 percent. Pitney Bowes Comments at 2. NPPC encourages the Commission to note whether the Postal Service proposes to increase this passthrough to the "bare minimum" of 85 percent or to more efficient levels. NPPC Comments at 5.

The National Association of Presort Mailers (NAPM) contends that the Postal Service continues to set "several core, volume-critical letter discounts well below avoided cost[s]," which undermines fully efficient pricing and the "commingled presort ecosystem." NAPM Comments at 4. NAPM points to four workshare discounts within First-Class Mail and USPS Marketing Mail that it describes as "core tiers on which combined and commingled production, destination entry, and private-sector investment depend," that have fallen below 85 percent passthroughs.²⁵ NAPM acknowledges that these four discounts will remain below 85 percent "despite the availability of updated avoided-cost data." *Id.* at 6. NAPM contends that when passthroughs fall below 85 percent, fully efficient price signals are broken, mailers are charged more for work the Postal Service no longer performs, and the "economic logic of commingling is weakened," which risks volume attrition and increased system-wide costs. *Id.* NAPM further requests that the Commission find these

²⁵ *Id.* at 5. Specifically, NAPM states that the First-Class Mail 5-Digit Automation Letters passthrough is 80 percent; the First-Class Mail automated area distribution center (AADC) Automation Letters passthrough is 79.49 percent; the USPS Marketing Mail 5-Digit Automation Letters passthrough is 74.47 percent; and the USPS Marketing Mail destination sectional center facility (DSCF) Letters passthrough is 70.83 percent. *Id.* The Commission notes that as the result of nomenclature changes the First-Class Mail AADC Automation Letters passthrough is now the First-Class Mail 3-Digit Automation Letters passthrough. See Library Reference USPS-FY25-3, January 16, 2026, Excel file "FY25.3 WorksharingTables New 1.16.2026 Final.xlsx," tab "FCM Bulk Letters, Cards," cell C10.

discounts non-compliant with the Commission's workshare discount rules and direct the Postal Service to set these passthroughs to 100 percent in the next price adjustment case or to adopt an "explicit, expedient . . . glide path to 100 [percent]" passthroughs. *Id.* at 7. NAPM further requests that the Commission "[d]eny waivers absent a robust, short-term quantitative justification demonstrating" why fully efficient pricing cannot be implemented "for any affected [rate] cell." *Id.* NAPM also requests a "clear before-and-after passthrough table for each affected rate cell" with a schedule identifying full cost avoidance compliance. *Id.* at 7-8. NAPM asserts that "now is the time" to require the Postal Service to set discounts equal to avoided costs and restore fully efficient price signals. *Id.* at 8.

The Postal Service contends that commenters' arguments on workshare discounts are "off-base and misplaced in this proceeding[.]" Postal Service Reply Comments at 8. The Postal Service maintains that it has moved passthroughs "ever closer to 100 percent" and reduced the number of passthroughs that fall either below 85 percent or above 100 percent. *Id.* The Postal Service argues that where an "originally compliant workshare discount" falls out of compliance as a result of updated avoided costs, it is "misleading" to label as noncompliant. *Id.* at 11. The Postal Service states that it has a "well-established track record" of complying with the Commission's workshare discount rules by adjusting those discounts based on new avoided costs in the next rate adjustment case. *Id.*

Additionally, N/MA observes that two workshare discounts in In-County Periodicals, 3-Digit Automation Flats and destination delivery unit (DDU) dropship, exceed avoided costs.²⁶ N/MA acknowledges that the Postal Service states that it will ask the Governors to address these non-compliant discounts in the next rate adjustment proceeding. N/MA Comments at 5 (citing FY 2025 ACR at 8). N/MA argues that the Governors should apply the statutory exception set forth in 39 U.S.C. § 3622(e)(2)(C) for workshare discounts in connection with mail that provides "educational, cultural, scientific, or informational value." *Id.* N/MA contends that, in particular, "there is no need to decrease the passthrough for DDU-entered [In-County] mail" because nearly two-thirds of In-County mailpieces use this discount and DDU entry reduces costs and improves service performance by bypassing other postal operations. *Id.* N/MA also urges the Postal Service to "significantly" increase the In-County Periodicals Carrier Route Basic passthrough from its current 69 percent.²⁷

The Postal Service argues that N/MA's recommendations for how to address two passthroughs that exceed 100 percent are outside the scope of a compliance determination. Postal Service Reply Comments at 15-16. The Postal Service further argues that N/MA inaccurately cites the passthrough for the In-County Periodicals Basic Carrier Route passthrough, which the Postal Service states is 89.8 percent rather than "69 percent" as cited by N/MA. *Id.* at 16.

²⁶ N/MA Comments at 5. Although N/MA refers to this product as "Within County," this product is named "In-County Periodicals" in the *Mail Classification Schedule* (MCS). See, e.g., Order No. 8867 at 113, n.73; *id.* Attachment at 70.

²⁷ *Id.* The Commission notes that the Carrier Route Basic passthrough is 89.8 percent but the High Density passthrough is 69.2 percent. Library Reference USPS-FY25-3, Excel file "FY.25.3 WorksharingTables New 1.16.2026 Final.xlsx," tab "Passthroughs_WC."

b. Timing of Avoided Cost Data

NPPC, Pitney Bowes, and NAPM raise concerns about the timing of avoided cost data upon which workshare discount compliance is assessed.²⁸ NPPC argues that the "real passthrough" for the First-Class Mail 5-Digit Automation Letters discount is "even lower" as a result of a mismatch between the period in which avoided costs are measured and the period in which discounts based on those avoided costs are in effect. NPPC Comments at 5. Pitney Bowes contends that most First-Class Mail volume received discounts set below 95 percent based on FY 2024 cost avoidances in the last rate adjustment case and that those discounts are now non-compliant based upon updated FY 2025 cost avoidances. Pitney Bowes Comments at 2-3. Pitney Bowes contends that "[p]resort mail consistently demonstrates strong service performance" and is "the most profitable segment" of First-Class Mail. *Id.* at 3. Pitney Bowes asserts that aligning passthroughs with avoided cost would support the Postal Service's "most reliable and profitable mailstream." *Id.* at 4. NAPM encourages the Commission to "establish explicit transition protocols" to ensure that passthroughs are not permitted to remain below the 85 percent threshold for an unacceptable amount of time. NAPM Comments at 9.

The Postal Service disputes comments about the timing of avoided cost data used to assess workshare discount compliance and argues that "the supposed lag effect is not as large as they think," and that avoided cost estimates sometimes fluctuate "in both directions and sometimes . . . not at all." Postal Service Reply Comments at 12.

c. Calculation of Avoided Cost Data

NPPC and Pitney Bowes raise other concerns with the calculation of cost avoidances. NPPC Comments at 5; Pitney Bowes Comments at 4-5.

NPPC contends that when the Postal Service begins making "top-up payments" in FY 2026 for retiree health benefits (RHB), the RHB payments should be attributed and included in cost avoidance estimates. NPPC Comments at 5. The Postal Service argues that NPPC mistakenly conflates these payments with normal costs for RHB. Postal Service Reply Comments at 19. The Postal Service argues that RHB top-up payments have no connection to current employees but are related to current retirees' costs and contributions as well as other administrative expenses. *Id.* The Postal Service also contends that normal costs for retiree health benefits "no longer play any role in Postal Service cost incurrence or, accordingly, in Postal Service cost attribution." *Id.* The Postal Service argues that while RHB top-up payments will be incurred this fiscal year, they are different than normal costs for retiree health benefits so that the same cost treatment "cannot lightly be presumed." *Id.* at 20. Finally, the Postal Service states that the treatment of RHB top-up payments is the subject of an ongoing study by the Postal Service.²⁹

²⁸ NPPC Comments at 5; Pitney Bowes Comments at 3; NAPM Comments at 9, 14.

²⁹ *Id.* (citing Docket No. RM2022-1, Response of the United States Postal Service to Request for Progress Report in Order No. 9316, December 1, 2025, at 10-11 (Docket No. RM2022-1, Response to Order No. 9316)).

Pitney Bowes asserts that First-Class Mail presort letter cost avoidances are understated because labor productivities for manual processing operations need to be updated. Pitney Bowes Comments at 4-5. Pitney Bowes states that the Postal Service has acknowledged that this is an issue but states that it does not plan to update the methodology until FY 2028. *Id.* at 5. Pitney Bowes contends that, if the Postal Service is unable to update the labor productivities for manual processing operations by FY 2026, the Commission should instead require the Postal Service "to use the more current manual incoming secondary letter sorting productivities as a proxy for all manual letter sorts." *Id.* In response, the Postal Service states that it intends to do so and that it has filed a plan with the Commission that reflects its "good-faith projection" of when it can accomplish this update. Postal Service Reply Comments at 17. The Postal Service argues that Pitney Bowes proposed an alternative that the Commission require the Postal Service to use manual incoming secondary letter sorting productivities as a proxy for all manual sorting, but it is not supported with any explanation of its merits. *Id.*

d. DSCF Entry Discounts and Sectional Center Facility (SCF)
Pallet Discounts

NAPM contends that "destination entry and SCF pallet economics must remain transparent, stable, and demonstrably grounded in avoided-cost[s]." NAPM Comments at 10. NAPM asserts that DSCF entry workshare discounts are integral to combined mailings and to preserving efficient worksharing behavior and that the SCF pallet incentives "reward operational discipline" and reduce Postal Service costs. *Id.* at 9-10. NAPM argues that because DSCF entry and SCF pallet discounts are "deeply embedded in presort logic, transportation contracting, and plant-level production design, any change . . . reverberates throughout the commingled mail ecosystem." *Id.* at 10. NAPM contends that the current destination entry avoided-cost model in Library Reference USPS-FY25-13 supports the continued validity of dropship passthroughs and reflects meaningful transportation and handling cost avoidance for mail entered at the SCF. *Id.* at 11. Before any modification to DSCF entry dropship discounts is approved, NAPM urges the Commission to require the Postal Service to publish full workpapers with the analytical foundations of destination entry discounts.³⁰ NAPM also proposes additional requirements for structural changes that would redefine, limit, or eliminate DSCF entry discounts or alter SCF pallet discount eligibility.³¹

NPPC commends the Postal Service for introducing a new workshare discount for First-Class Mail entered on SCF pallets in Docket No. R2025-1, but urges it to expand the discount to co-palletized mail and to also explore other similar initiatives. NPPC Comments at 8-9.

³⁰ *Id.* at 12. More specifically, NAPM argues that such workpapers should include Origin-to DSCF transportation flows, cost segments and piggyback assumptions used to derive letter dropship avoided costs; network and processing assumptions imbedded in those calculations, and sensitivity analysis testing the avoided costs under variable conditions. *Id.*

³¹ *Id.* More specifically, NAPM proposes that the Commission require a justification demonstrating that the change will not reduce the aggregate contribution of commingled letters, that efficient worksharing behavior will not be affected incentives that are "misaligned" with avoided costs, and that any claimed network benefits outweigh "the demonstrated loss of private-sector efficiencies." *Id.* at 12-13.

The Postal Service disputes NAPM's request that the Commission "require a justification" before the Postal Service proposes to redefine, limit, or eliminate DSCF entry discounts or alter SCF pallet discount eligibility. Postal Service Reply Comments at 14. The Postal Service argues that this is beyond the scope of this proceeding and, even if brought in a more appropriate proceeding, would "raise serious legal concerns[,] " including that the Commission's authority to regulate workshare discounts is distinct from the Governor's power to establish discounted prices and that implementing such a requirement would give the Commission "unprecedented authority" over not just price levels but complex operational and mail-preparation requirements. *Id.* at 14-15.

e. Other Comments

NPPC acknowledges that the Commission recently revised its workshare discount rules to prevent the Postal Service from reducing a passthrough that exceeds 100 percent further away from fully efficient rates but observes that the revised rules would not prohibit the Postal Service from, for example, allowing a passthrough to decline from 95 percent to 85 percent as a result of an increase in avoided costs. NPPC Comments at 3-4 (citing Order No. 9426 at 192).

Although the Postal Service maintains that it has continued to move passthroughs closer to 100 percent and reduced the number of passthroughs that fall either below 85 percent or above 100 percent, it questions the "larger economic policy" of whether the use of 100 percent of marginal costs in setting passthrough targets is "an appropriate application" of fully efficient pricing and 39 U.S.C. § 3622(e). Postal Service Reply Comments at 8-9. The Postal Service argues that the Commission's workshare discount approach "deviates" from fully efficient pricing principles and "fails to account for real-world limitations."³²

4. Commission Analysis

a. Response to Commenters

Commenters raise a number of explicit and implicit concerns with the Commission's current workshare discount rules, including the timing of avoided cost data that is used to measure workshare discount compliance with Commission rules and the related effect upon mailers when passthroughs fall below 85 percent, the effect on mailers when passthroughs are consistently set below 100 percent, and that certain workshare discounts should be set at fully efficiency pricing or that the Commission should require an explicit glide-path to fully efficient pricing, with additional requirements for waivers for passthroughs not set at 100 percent.³³

³² *Id.* at 9. The Postal Service contends, for example, that the Commission's approach to full efficiency in its workshare discount rules fails to account for opportunity costs associated with "economies of density, scope, and/or scale" when worksharing removes volume from a Postal Service operation but "those lost economies" are not reflected in avoided costs. *Id.* The Postal Service further argues that fully efficient pricing "was not intended for situations where a firm is insolvent," as the Postal Service describes its current state. *Id.* The Postal Service also argues that the "simplified illustrations" used in fully efficient pricing scholarship "assume homogenous, perfectly known costs for the avoided work segments[,] " but that avoided transportation costs in the Postal Service network may vary widely. *Id.* Finally, the Postal Service questions the volume variability assumptions used to estimate mail processing cost avoidances, which it states predate the Postal Reorganization Act. *Id.* at 9-10.

³³ NPPC Comments at 5; Pitney Bowes Comments at 3; NAPM Comments at 6-8, 9, 14; PostCom Comments at 4.

With respect to the concerns about the timing of avoided cost data used to measure workshare discounts, the Commission agrees that this concern is not new and has been raised in past annual compliance reviews as well as in rate adjustment proceedings. *See, e.g.,* FY 2021 ACD at 23; Order No. 7155 at 55-56. As the Commission has previously stated, costs are developed on an annual basis and more frequently updated costs are not currently available. Order No. 7155 at 56. As a result, and consistent with 39 C.F.R. § 3030.280, the Commission uses avoided costs from the most recent ACD to determine workshare discount compliance with 39 C.F.R. part 3030, subpart J. *Id.* In response to this concern, however, as well as other comments raised by stakeholders, the Commission opened Docket No. RM2024-4 and has provided a deadline for interested persons to submit petitions to modify the ratemaking system or to adopt an alternative system. Order No. 9426 at 16, 203; Order No. 9427 at 4. To the extent that commenters propose changes to the Commission's workshare discount rules, that docket is the appropriate forum to address those concerns. The scope of the annual compliance review is limited to assessing workshare discount compliance with the Commission's currently effective rules. Comments concerning how and when avoided costs are modeled would require a petition to initiate a rulemaking proceeding to change analytical principles pursuant to 39 C.F.R. § 3050.11.

In response to Pitney Bowes' comments related to the First-Class Mail cost avoidance model, the Commission encourages the Postal Service to accelerate its review of the model to update labor productivities for manual operations processing but acknowledges the extensive work necessary by the Postal Service to update these labor productivities. *See* Pitney Bowes Comments at 4-5; Postal Service Reply Comments at 17. With respect to NPPC's argument that RHB top-up payments should be attributed and included in cost avoidance estimates, the Commission notes that this change would require a petition to initiate a rulemaking proceeding to change analytical principles pursuant to 39 C.F.R. § 3050.11. *See* NPPC Comments at 5. The Commission acknowledges that the Postal Service is investigating the cost treatment of the RHB top-up payments and that it expects to present a proposed cost treatment of these payments in FY 2026.³⁴ The Commission will review any rulemaking petition regarding the treatment of RHB top-up payments when filed, along with any comments received in that docket. In any case, the appropriate analytical principles to apply to a cost first arising in FY 2026 is beyond the scope of a compliance proceeding for FY 2025.

With respect to N/MA's suggestion that the Governors should not reduce two In-County Periodicals passthroughs that are over 100 percent, the Commission notes that these passthroughs must be set in accordance with 39 C.F.R. § 3030.283. The exception set forth in 39 C.F.R. § 3030.283(e) would only apply for a workshare discount "provided in connection with a subclass of mail, consisting *exclusively* of mail matter of educational, cultural, scientific, or informational value[.]" 39 C.F.R. § 3030.283(e) (emphasis added). Any proposed workshare discount would also need to comply with 39 C.F.R. § 3030.285(c). *See id.*

³⁴ Postal Service Reply Comments at 20; *see* Docket No. RM2022-1, Response to Order No. 9316 at 10-11.

In response to PostCom's comment that the Commission should "exercise greater control" over discounts that "continually fail to meet" the 85 percent passthrough floor, the Commission notes that 20 percent of passthroughs have an average that is below 85 percent in the timeframe between rate adjustment proceedings in Docket Nos. R2021-2 through R2025-1, and that no passthroughs for First-Class Mail or USPS Marketing Mail letters average below 85 percent in that timeframe. *See* Library Reference PRC-LR-ACR2025-9, tab "Passthrough Historical;" PostCom Comments at 3. Accordingly, the passthroughs in the larger volume Market Dominant classes and price categories that commenters focus on do not appear to consistently fall below the 85 percent passthrough floor. However, the Commission will continue to monitor passthrough trends.

With respect to NAPM's concerns about DSCF entry discounts and SCF pallet eligibility, the Commission first notes that the Postal Service has expanded SCF pallet eligibility, most recently to First-Class Mail letters, postcards, and flats. Order No. 8867 at 89-90. The Postal Service has also indicated that it is considering offering SCF pallet discounts to Outside County Periodicals similar to what exists in USPS Marketing Mail.³⁵ To the extent that NAPM's concerns about DSCF entry and SCF pallet discount eligibility are related to ongoing changes in the Postal Service's network and associated nomenclature changes, the Commission encourages the Postal Service to engage with stakeholders to clarify the discounts, explain how the discounts will work within the Postal Service's evolving network, and continue to propose nomenclature changes that align with network changes. NAPM's comments encouraging the Commission to adopt additional requirements prior to modifying DSCF entry discounts or approving structural changes that would affect DSCF entry discounts or SCF pallet eligibility are premature and outside the scope of this review, but would appear better suited in response to a specific Postal Service proposal that would affect these discounts.³⁶ In response to NPPC, the Commission encourages the Postal Service to work with stakeholders to determine whether it can further expand the SCF pallet discount. *See* NPPC Comments at 9.

In response to commenters' concerns about the Postal Service sending inefficient price signals, the Commission reiterates that, at the time of approval in Docket No. R2025-1, all workshare discounts complied with all workshare provisions, in accordance with 39 C.F.R. §§ 3030.282, 3030.283, 3030.284. *See* Figure II-2, *supra*. The Postal Service does not have the opportunity to bring workshare discounts that have fallen out of compliance with Commission regulations as a result of updated avoided costs filed in the FY 2025 ACR into compliance until the next rate adjustment proceeding. The Postal Service is required to do so at that time, using the most recently available cost data. The Commission encourages the Postal Service to not only bring workshare discounts into compliance with Commission

³⁵ Docket No. MC2025-1483, United States Postal Service Proposal to Modify the Product Descriptions of First-Class Mail, USPS Marketing Mail, and Periodicals, June 11, 2025, at 14-15; *see* Library Reference PRC-LR-ACR2025-9, tab "FY25 ACD Directive."

³⁶ If, for example, the Postal Service proposes a rulemaking petition that proposes a methodology to measure avoided transportation costs between Zones A-D and between Zones A-D and the DSCF, NAPM's comments would be particularly relevant. *See* Order No. 9260 at 35-36; Docket No. RM2022-1, Response to Order No. 9316 at 14-15. Additionally, the Commission notes that it agrees with NAPM that the destination entry avoided-cost model in Library Reference USPS-FY25-13 supports the current dropship passthroughs and reflects avoided costs for mail entered at the SCF and that it is further consistent with Commission findings. *See* NAPM Comments at 11; *see generally* Order No. 7391.

regulations, but to also bring passthroughs closer to 100 percent and full efficiency, particularly for key discount categories identified by commenters.

b. Assessment of Compliance and Further Guidance

In addition to the workshare compliance review in rate adjustment proceedings, the Commission considers compliance for workshare discounts in the ACD. For purposes of determining workshare discount compliance for FY 2025 in the ACD, the Commission identifies which workshare discounts in the previous fiscal year resulted in passthroughs that either exceeded 100 percent or fell below 85 percent. Order No. 5337 at 207; Order No. 5763 at 199. In addition, the Commission identifies those workshare discounts that were equal to their avoided costs. *Id.* Section 3653(b)(1) of Title 39 requires the Commission to base its determination on the rates and fees “in effect” during FY 2025.³⁷ The rates in effect at the end of FY 2025 are those approved in Docket No. R2025-1. Library Reference PRC-LR-ACR2025-9 demonstrates compliance of discounts approved in Docket No. R2025-1, which were in effect at the end of the year, with the FY 2025 avoided costs. Table II-1 shows the number of workshare discounts by mail class categorized by passthrough level.

Table II-1
Workshare Discounts by Mail Class Categorized by Passthrough Level
Docket No. R2025-1 Workshare Discounts and Docket No. ACR2025 Avoided Costs

Mail Class	<85%	85.0%-99.9%	=100%	>100%	Total
First Class Mail	8	6	2	3	19
USPS Marketing Mail	37	1	2	12	52
Periodicals	16	11	0	3	30
Package Services	0	4	0	2	6
All Mail Classes	61	22	4	20	107

³⁷ The Commission has consistently evaluated workshare discounts’ compliance based on the prices in effect at the end of the fiscal year regardless of whether other prices were also in effect at other points during the fiscal year. This is consistent with the Commission’s long-standing practice to use the most recent data available in its analyses. *See, e.g.*, FY 2020 ACD at 12; FY 2019 ACD at 13; FY 2018 ACD at 13; FY 2017 ACD at 15; FY 2016 ACD at 10; FY 2015 ACD at 10.

Additionally, the Commission recently approved several methodological changes in Docket Nos. MC2025-1483 and RM2025-11 and Docket No. RM2025-12 that the Postal Service will likely implement in the next rate adjustment proceeding and that will add, remove, and alter certain workshare discounts. *See generally* Order No. 9086; Order No. 9326. Those changes do not fall in the fiscal year under review within the FY 2025 ACD; however, the regulations regarding workshare discounts will be applied to the workshare discounts approved in the next rate adjustment proceeding. Accordingly, Library Reference PRC-LR-ACR2025-9 also assesses the compliance of workshare discounts that result from those methodological changes with the FY 2025 avoided costs. Table II-2 shows the number of workshare discounts by mail class categorized by passthrough level.

Table II-2
Workshare Discounts by Mail Class Categorized by Passthrough Level
Docket Nos. MC2025-1483 and RM2025-11 and Docket No. RM2025-12 Approved
Methodological Changes and Docket No. ACR2025 Avoided Costs

Mail Class	<85%	85.0%-99.9%	=100%	>100%	To Be Added	Total	To Be Removed
First Class Mail	7	6	2	3	0	18	1
USPS Marketing Mail	35	1	2	9	4	51	5
Periodicals	13	4	0	6	8	31	7
Package Services	0	4	0	2	0	6	0
All Mail Classes	55	15	4	20	12	106	13

The Commission finds that all workshare discounts in effect in FY 2025 were in compliance with 39 C.F.R. part 3030, subpart J at the time they were approved in the rate adjustment proceedings based on the most recent avoided costs available at the time of each rate adjustment filing.

The Commission directs the Postal Service to bring all current workshare discounts approved in Docket No. R2025-1 and identified in Table II-1 (or Table II-2 if implementing all methodological changes approved in Docket Nos. MC2025-1483 and RM2025-11 and Docket No. RM2025-12) that are not equal to their avoided costs based on the new FY 2025 avoided costs into compliance with 39 C.F.R. § 3030.283 and 39 C.F.R. § 3030.284 in the next rate adjustment proceeding, which could include aligning workshare discounts with avoided costs or explaining how the workshare discounts comply with existing exceptions (including waivers granted in accordance with the rules set forth in 39 C.F.R. § 3030.286). In addition, all workshare discounts proposed in rate adjustment proceedings must be consistent with 39 C.F.R. § 3030.282 as recently amended by Order No. 9426. If the Postal Service implements only some methodological changes approved in Docket Nos. MC2025-1483 and RM2025-11 and Docket No. RM2025-12 in the next rate adjustment proceeding, the Commission directs it to refer to Library Reference PRC-LR-ACR2025-9, tab, "FY25 ACD Directive" and bring into compliance all workshare discounts relevant to approved proposals that the Postal Service implements as well as remaining workshare discounts that are unaffected by the methodological changes but that have fallen out of compliance.

CHAPTER III. MARKET DOMINANT PRODUCTS: OTHER RATE AND FEE COMPLIANCE ISSUES

A. Introduction

This chapter discusses other rate and fee compliance issues (not discussed in Chapter II), including Commission determinations related to non-compensatory classes and products.

The Postal Service has previously suggested that regulatory constraints prevent it from raising prices sufficiently to achieve cost coverage across its Market Dominant products. To address this concern directly, the Commission has proactively expanded the Postal Service's rate authority beyond a strict CPI limitation. The CPI-based price cap was enacted by Congress through the PAEA. Building on that statutory framework, the Commission took the initiative in Order No. 5763 to adopt targeted rules granting additional pricing flexibility precisely to combat chronic non-compensation while preserving ratepayer protections. In Order No. 5763, the Commission adopted new rules for non-compensatory classes and products. Specifically, 39 C.F.R. part 3030, subpart G permits an additional 2 percentage points of rate authority for any class of mail whose attributable costs exceed its revenue. 39 C.F.R. § 3030.222(a). The use of this additional rate authority is optional and may be implemented at the Postal Service's discretion whenever it files a rate adjustment proceeding involving the non-compensatory class. *Id.*

In addition, the regulations have requirements specific to products classified as non-compensatory within classes that are compensatory overall. For those products, the rates must increase by a minimum of 2 percentage points above the average percentage increase for that class. *Id.* § 3030.221. The regulations also provide that rates may not be reduced for any non-compensatory product. *Id.* § 3030.127(b). The Postal Service is required to comply with directives issued by the Commission pursuant to 39 C.F.R. § 3030.221 whenever it files a rate adjustment proceeding affecting a non-compensatory product.

The Commission finds that one class, Periodicals, was non-compensatory in FY 2025. The Periodicals class contains two products that were each non-compensatory in FY 2025. Additionally, the Commission identifies the following non-compensatory products in compensatory classes: (1) USPS Marketing Mail Flats in the USPS Marketing Mail class and (2) Alaska Bypass Service in the Package Services class. The Commission notes that two classes were fully compensatory in FY 2025, with both the class and all products within the class covering attributable costs: First-Class Mail and Special Services. These results are

displayed in Figure III-1. Collectively, the Postal Service lost \$711.6 million in FY 2025 from non-compensatory classes and products.

**Figure III-1
Market Dominant Product Compliance Results, FY 2025**

UNITED STATES POSTAL SERVICE POSTAL PRODUCT REPORT CARD FY 2025 MARKET DOMINANT PRODUCTS & SERVICES			
FIRST-CLASS MAIL		<i>(COST COVERAGE)</i>	
SINGLE PIECE LETTERS /CARDS	180.53%	✓	Compliant
PRESORTED LETTERS/CARDS	340.74%	✓	Compliant
FLATS	128.71%	✓	Compliant
OUTBOUND SINGLE PIECE INTERNATIONAL	149.67%	✓	Compliant
INBOUND LETTER POST	149.29%	✓	Compliant
USPS MARKETING MAIL			
LETTERS	209.17%	✓	Compliant
FLATS	73.66%	⊘	Non-Compliant
PARCELS	204.35%	✓	Compliant
HIGH DENSITY/SATURATION LETTERS	243.48%	✓	Compliant
HIGH DENSITY/SATURATION FLATS & PARCELS	183.76%	✓	Compliant
CARRIER ROUTE	133.31%	✓	Compliant
EVERY DOOR DIRECT MAIL	351.42%	✓	Compliant
PERIODICALS			
IN-COUNTY	79.34%	⊘	Non-Compliant
OUTSIDE COUNTY	74.53%	⊘	Non-Compliant
PACKAGE SERVICES			
ALASKA BYPASS SERVICE	78.43%	⊘	Non-Compliant
BOUND PRINTED MATTER FLATS	133.85%	✓	Compliant
BOUND PRINTED MATTER PARCELS	105.77%	✓	Compliant
MEDIA MAIL/LIBRARY MAIL	151.28%	✓	Compliant
SPECIAL SERVICES			
ANCILLARY SERVICES	239.06%	✓	Compliant
INTERNATIONAL ANCILLARY SERVICES	128.10%	✓	Compliant
ADDRESS MANAGEMENT SERVICES	2131.46%	✓	Compliant
MONEY ORDERS	165.86%	✓	Compliant
POST OFFICE BOX SERVICES	281.52%	✓	Compliant
STAMP FULFILLMENT SERVICES	200.91%	✓	Compliant
CALLER SERVICE	612.48%	✓	Compliant
CREDIT CARD AUTHENTICATION	592.48%	✓	Compliant
OUTBOUND INTERNATIONAL SPECIAL SERVICES*	NMF	✓	Compliant
*Outbound International Special Services includes International Business Reply Mail and International Reply Coupon. No Meaningful Figure (NMF) can be calculated due to lack of volume or cost data.			

In alignment with the new regulations of 39 C.F.R. part 3030, subpart G, this chapter begins with an analysis of the non-compensatory class, followed by an analysis of each non-compensatory product in compensatory classes, organized by class. The Commission also discusses the fully compensatory classes.

In addition, this chapter includes a discussion of other rate and fee compliance issues raised by commenters.

B. Non-Compensatory Classes

1. Periodicals

a. FY 2025 Results

The Periodicals class is comprised of two products, In-County³⁸ and Outside County. Revenue for both products was insufficient to cover their attributable costs in FY 2025. As shown in Table III-1, Periodicals cost coverage increased for the second consecutive year, from 72.97 percent in FY 2024 to 74.82 percent in FY 2025, but still produced a negative contribution of \$297 million. Library Reference PRC-LR-ACR2025-5. In this section, the Commission discusses the FY 2025 financial results for Periodicals in more detail.

Table III-1
Periodicals Cost Coverage, FY 2021–FY 2025

	FY	FY	FY	FY	FY	% Change	
	2021	2022	2023	2024	2025	5-Year	1-Year
Periodicals Overall	53.24%	61.06%	60.05%	72.97%	74.82%	21.58%	1.85%
In-County	45.02%	49.09%	57.36%	81.47%	79.34%	34.32%	-2.13%
Outside County	53.86%	61.93%	60.27%	72.38%	74.53%	20.67%	2.15%

Source: Library Reference PRC-LR-ACR2025-5.

In FY 2025, revenue-per-piece increased 8.9 percent and cost-per-piece increased 6.2 percent, resulting in an improvement in cost coverage as described above. *Id.* However, the Postal Service notes that Periodicals volume has been declining over time with the most prominent driver of the downward trend in Periodicals continuing to be diversion to digital media and a general reduction in the number of magazine publications.³⁹

³⁸ The In-County product is typically used by smaller circulation weekly newspapers for distribution within the county of publication.

³⁹ See Library Reference USPS-FY25-45, December 29, 2025, folder "Rule 3050.50 Flats," folder "Paragraph (b) -- Financial Report," PDF file "Part B Narratives - FY 25 Rule 3050.50.pdf," at 12.

b. Previous Directives

The Periodicals class has consistently failed to cover its attributable costs, and the Commission has repeatedly encouraged the Postal Service to improve Periodicals cost coverage.⁴⁰ In its Flats Study, the Commission made several recommendations to the Postal Service as it developed its plan to address inefficiencies in the collection, sorting, transportation, and delivery of flat-shaped mailpieces, which includes both In-County and Outside County Periodicals. Flats Study at 2-3. On October 6, 2023, the Postal Service filed its required plan in response to the Flats Study. *See generally* Postal Service October 6, 2023 Flats Plan. On December 27, 2024, the Commission issued an order in Docket No. SS2022-1 on the Postal Service October 6, 2023 Flats Plan, approving the plan in part and requiring the Postal Service to submit a supplemental plan to address inefficiencies identified by the Commission in the Flats Study that were not addressed or were only partially addressed in the Postal Service October 6, 2023 Flats Plan. Order No. 8436 at 2. On June 25, 2025, the Postal Service filed the supplemental plan. *See generally* Postal Service June 25, 2025 Supplemental Flats Plan. On December 15, 2025, the Commission conditionally approved the Postal Service June 25, 2025 Supplemental Flats Plan, subject to the Postal Service reporting on its progress in the FY 2026 ACR. Order No. 9398 at 2, 38. In Order No. 9398, the Commission noted that it would “continue to monitor the Postal Service’s progress in implementing a plan to address its challenges in processing and delivering flats in a cost-effective manner” and report its findings in future ACDs. *Id.* at 38. The Commission discusses flat-shaped mail, including Periodicals, further in Chapter VII.

c. Comments on Periodicals

As discussed in Chapter II, N/MA asserts that the Postal Service’s approach to pricing Periodicals “is not working.” N/MA Comments at 2; *see* Section II.B.2., *supra*. N/MA observes that although this has resulted in more revenue on a per-piece basis, total revenue and volume have both fallen since FY 2021. *Id.* N/MA notes that most of the volume decline has been Outside County Periodicals, although In-County also experienced a decline in FY 2025. *Id.* at 2-3.

PostCom states that the decline in Periodicals volumes since additional authority was implemented “suggests that ever-increasing rates may be exacerbating the problem they were designed to solve.” PostCom Comments at 3.

The Public Representative observes that Periodicals as a class did not cover its costs in FY 2025 but acknowledges that cost coverage for the class improved over FY 2024 even as volume declined. PR Comments at 3-4. The Public Representative further observes that an overall decrease in volume of 11.0 percent was driven by a 12.1 percent decrease in Outside County volume and a 6.1 percent decrease in In-County volume. *Id.* at 11. The Public Representative states that the Periodicals class as a whole and Outside County both had improvements in cost coverage between FY 2024 and FY 2025, due largely to reductions in

⁴⁰ *See, e.g.*, FY 2017 ACD at 50; FY 2018 ACD at 46; FY 2019 ACD at 25; FY 2020 ACD at 20-21; FY 2021 ACD at 27; FY 2022 ACD at 30, 36; FY 2023 ACD at 22, 28; FY 2024 ACD at 21, 26.

attributable costs, while In-County cost coverage decreased in FY 2025, due in large part to significant increases in attributable costs. *Id.* at 12. The Public Representative states that “it is important for the Postal Service to continue focusing on cost reduction to increase cost coverage, especially for this class and its products.” *Id.* at 12-13. He notes that although “[t]he Postal Service did achieve increases in cost coverage this fiscal year . . . more is needed to make these products compensatory.” *Id.* at 13. He also suggests that the Postal Service monitor In-County volumes, as revenue from that product increased in FY 2025 contrary to the Postal Service's expectations. *Id.*

In reply comments, the Postal Service states that although Periodicals rates are insufficient to cover attributable costs, “the situation would have been far worse without the Postal Service's use of the pricing authority that the Commission has provided.” Postal Service Reply Comments at 6. The Postal Service also contests N/MA's assertion that volume declines are tied to price increases, stating that in recent years volume fell by significantly less than prices rose and that higher Periodicals price increases are not increasing price sensitivity. *Id.* at 6-7. The Postal Service states that non-price factors contribute to volume declines but also recognizes that price increases have the potential to negatively impact volumes, which it represents the Governors will continue to consider as a factor when changing prices. *Id.* at 7.

d. Commission Analysis

Commenters argue that the additional rate authority provided by the Commission and the Postal Service's current pricing strategy for Periodicals focuses too much on revenue generating and “is not working.” The record shows that Periodicals cost coverage has increased for 2 consecutive years and that unit revenue grew 8.9 percent in FY 2025.

Since FY 2021, however, Periodicals volume has declined by 33.6 percent, total revenue has declined by 6.2 percent, total attributable cost has declined by 33.3 percent, and during that time, the Periodicals class has provided cumulative negative contribution of \$2.7 billion. Library Reference PRC-LR-ACR2025-5. To better understand the contribution shortfall of Periodicals, the Commission analyzes Periodicals revenue and cost. The Commission will continue to encourage both strategic pricing and operational cost reductions by the Postal Service to meaningfully improve Periodicals cost coverage.

(1) Periodicals Revenue

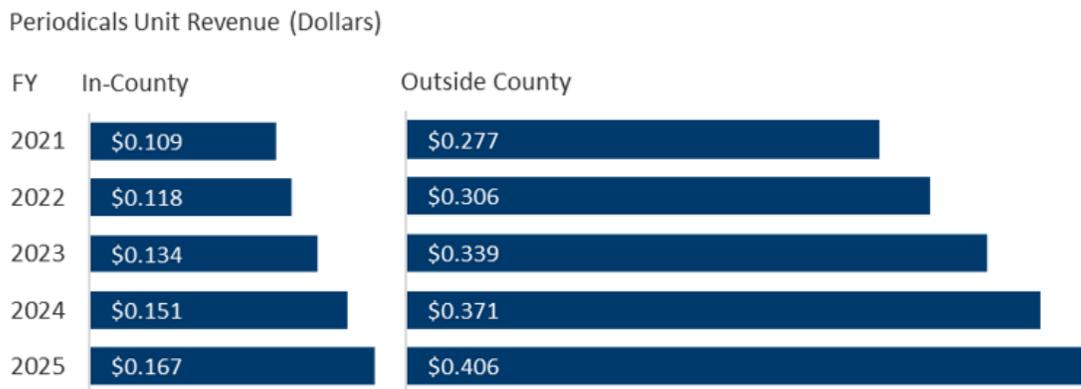
In an effort to improve Periodicals revenue, and in line with prior encouragement from the Commission to improve cost coverage, the Postal Service has generally implemented price increases that have maximized the use of the Postal Service's rate authority for both Periodicals products since the rules governing the new ratemaking system went into effect in January 2021.⁴¹ In Docket No. R2024-2, the Postal Service raised Periodicals prices by 9.754 percent on average, using all of the available Periodicals rate adjustment authority. Order No. 7155 at 84-85. In Docket No. R2025-1, the Postal Service also used all of the

⁴¹ See System for Regulating Market Dominant Rates and Classifications, 85 Fed. Reg. 81,124 (Dec. 15, 2020) (codified at 39 C.F.R. pts. 3030, 3040, 3045, 3050, and 3055).

available Periodicals rate adjustment authority, raising Periodicals prices by 9.385 percent on average. Order No. 8867 at 113. However, changes in the characteristics of mailpieces, such as weight and advertising content, have dampened the impact of these rate increases.

FY 2025 Periodicals unit revenue increased 8.9 percent compared to FY 2024. As detailed in Figure III-2, Periodicals unit revenue has experienced significant growth over the last 5 fiscal years. Unit revenue for In-County was \$0.151 in FY 2024 and \$0.167 in FY 2025, an increase of 10.4 percent. Library Reference PRC-LR-ACR2025-5. Unit revenue for Outside County was \$0.371 in FY 2024 and \$0.406 in FY 2025, an increase of 9.5 percent. *Id.*

**Figure III-2
Periodicals Unit Revenue, FY 2021–FY 2025**



Source: Library Reference PRC-LR-ACR2025-5.

Mail characteristics, such as weight and advertising content, significantly impact unit revenue. For Outside County, which makes up 91.4 percent of Periodicals revenue, pricing for the product is related to weight and percent of advertising content. The Postal Service earns more revenue from mailpieces that are heavier and contain more advertising, but both of those elements are decreasing. As detailed in Table III-2, average weight for Outside County decreased by 7.9 percent and average advertising content decreased by 3.3 percentage points over the last 5 fiscal years. The decrease in weight and advertising content limited the revenue that the Postal Service earned from the Outside County product over the past 5 years, which makes the increase in unit revenue in FY 2025 more noteworthy.

**Table III-2
Periodicals Outside County Revenue Elements, FY 2021–FY 2025**

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	% Change	
						5 Year	1 Year
Weight (Ounces)	5.26	5.18	4.96	4.87	4.84	-7.9%	-0.5%
Advertising Content	30.7%	30.2%	29.1%	28.2%	27.4%	-3.3%	-0.8%

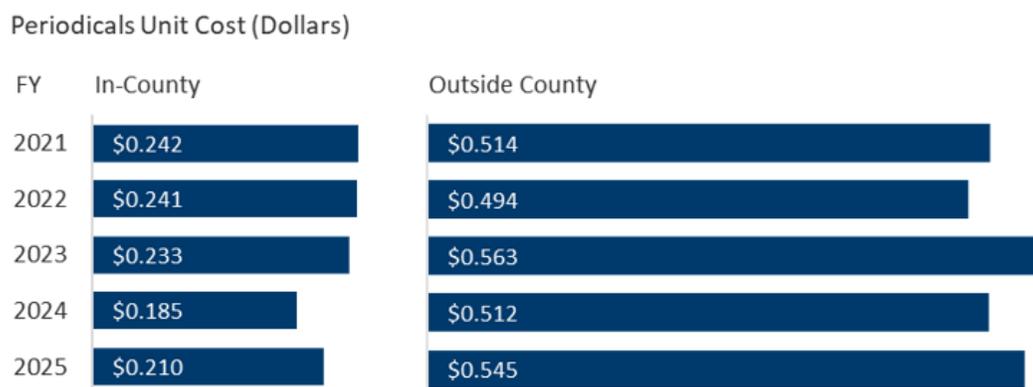
Source: Library Reference PRC-LR-ACR2025-5.

(2) Periodicals Attributable Cost

Because Periodicals is comprised of flat-shaped mail, the operational changes and initiatives designed to reduce flat-shaped mail costs, as described in Postal Service reporting required by 39 C.F.R. § 3050.50, impacts Periodicals. See Library Reference USPS-FY25-45. The Postal Service's initiatives designed to reduce flat-shaped mail costs are discussed in Chapter VII.

The Postal Service identifies several factors that affected Periodicals attributable costs in FY 2025. The Postal Service states that delivery costs were adversely affected by the 8.7 percent increase in city carrier wages in FY 2025 relative to FY 2024. February 6 Response to CHIR No. 7, question 12.c. Delivery and transportation costs were also negatively impacted by a higher proportion of origin-entered volume in FY 2025. *Id.* In addition, the updated rental analysis approved in Docket No. RM2025-6 caused a roughly 3 percent reduction in unit attributable costs for Periodicals in FY 2025 compared to FY 2024.⁴²

**Figure III-3
Periodicals Unit Attributable Cost, FY 2021–FY 2025**



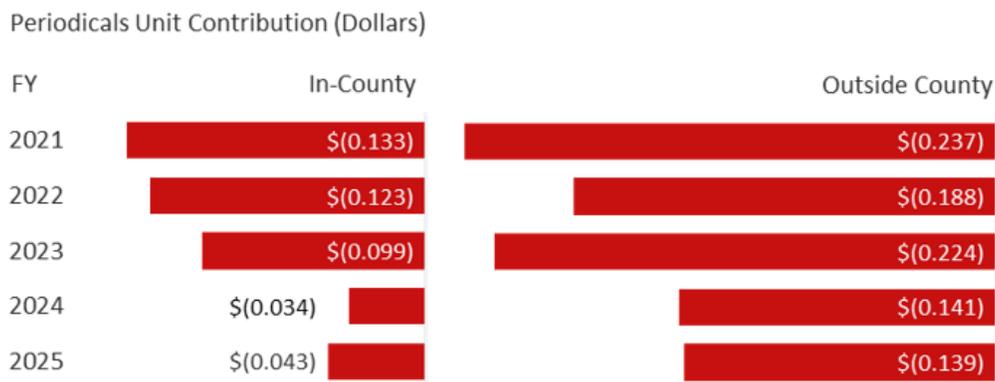
Source: Library Reference PRC-LR-ACR2025-5.

⁴² *Id.* question 12.e. The rental analysis is used to distribute space provision costs to individual products. The Postal Service sought to update and improve upon the prior rental analysis, which was last completed in 1992. Order No. 8737 at 1-2.

As detailed in Figure III-3, Periodicals unit attributable cost increased from FY 2024 to FY 2025. Unit attributable cost for In-County was \$0.185 in FY 2024 and \$0.210 in FY 2025, an increase of 13.4 percent. Library Reference PRC-LR-ACR2025-5. Unit attributable cost for Outside County was \$0.512 in FY 2024 and \$0.545 in FY 2025, an increase of 6.4 percent. *Id.* Despite the increase in unit attributable cost for In-County between FY 2024 and FY 2025, unit attributable cost in FY 2025 was less than unit attributable cost from FY 2021 to FY 2023. For Outside County, unit attributable cost in FY 2025 was greater than unit attributable cost in each of the last 5 fiscal years, except FY 2023.

Figure III-4 illustrates that the gap between unit revenue and unit attributable cost results in negative unit contribution for both Periodicals products.

**Figure III-4
Periodicals Unit Contribution, FY 2021–FY 2025**

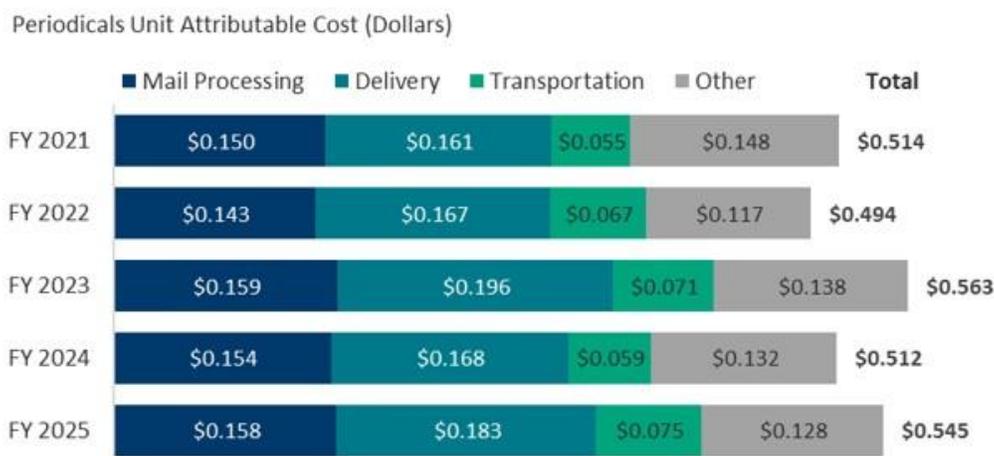


Source: Library Reference PRC-LR-ACR2025-5.

In FY 2025, Outside County constituted 81.4 percent of all Periodicals volume and 91.8 percent of total Periodicals attributable cost. *Id.* Figure III-5 shows that Outside County unit attributable cost increased by 3.3 cents from FY 2024 to FY 2025. In FY 2025, the unit attributable cost increased for mail processing, delivery, and transportation, and it decreased for other costs.⁴³

⁴³ In Figure III-5, Mail Processing includes cost segment 3; Delivery includes cost segments 6, 7, and 10; Transportation includes cost segment 14; and Other, such as retiree health benefits, management, building space, and supply-related costs, includes cost segments 1, 2, 8, 11, 12, 13, 15, 16, 17, 18, 19, and 20. The figure does not account for piggyback factors.

**Figure III-5
Periodicals Outside County Unit Attributable Cost, FY 2021–FY 2025**



Source: Library Reference PRC-LR-ACR2025-5.

As Table III-3 illustrates, mailer presortation of Outside County Carrier Route has decreased since FY 2021. In FY 2021, mailer presortation of Outside County Carrier Route was at 58.7 percent and decreased to 56.7 percent by FY 2025. *Id.* In addition, mailer dropship of Outside County decreased from 72.8 percent in FY 2021 to 69.4 percent in FY 2025. *Id.*

**Table III-3
Periodicals Outside County Mail Mix, FY 2021–FY 2025**

Mail Mix	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	% Change	
						5 Year	1 Year
Carrier Route	58.7%	57.6%	56.5%	56.7%	56.7%	-2.0%	0.0%
Dropship	72.8%	70.0%	68.7%	68.3%	69.4%	-3.4%	1.2%

Source: Library Reference PRC-LR-ACR2025-5.

In future rate cases, the Postal Service should consider mail mix changes when pricing Periodicals to maximize revenue and minimize costs.

The Commission reiterates its longstanding findings that despite numerous initiatives to reduce flat-shaped mail costs, including Periodicals, these costs remain high and increased in FY 2025. The Commission encourages the Postal Service to continue maximizing its usage of rate authority granted under 39 C.F.R. § 3030.222 and to maximize Periodicals cost coverage through strategic pricing.

C. Non-Compensatory Products in Compensatory Classes

1. USPS Marketing Mail

As a class, USPS Marketing Mail covered its attributable costs in FY 2025 and had an overall cost coverage of 174.3 percent. Library Reference PRC-LR-ACR2025-4. Table III-4 provides the cost coverage for each USPS Marketing Mail product as well as the overall class for the last 5 fiscal years. As Table III-4 shows, USPS Marketing Mail Flats did not cover costs in FY 2025.

Table III-4
USPS Marketing Mail Cost Coverage, FY 2021–FY 2025

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
USPS Marketing Mail Overall	130.53%	143.48%	136.32%	169.76%	174.34%
Carrier Route	94.63%	99.41%	98.70%	135.47%	133.31%
Letters	174.71%	191.23%	180.07%	212.03%	209.17%
Flats	60.29%	66.66%	64.53%	76.32%	73.66%
Parcels	73.13%	87.46%	119.52%	132.38%	204.35%
HD/Sat Flats	125.44%	132.48%	122.72%	157.25%	183.76%
EDDM	248.29%	263.87%	214.76%	297.83%	351.42%
HD/Sat Letters	182.41%	198.81%	184.94%	223.05%	243.48%

Source: Library Reference PRC-LR-ACR2025-1. Table III-4 corrects data in the FY 2024 ACD, Table III-4.

In this section, the Commission discusses the FY 2025 financial results for USPS Marketing Mail Flats, in more detail.

- a. USPS Marketing Mail Flats
 - (1) FY 2025 Results

In FY 2025, USPS Marketing Mail Flats had a cost coverage of 73.7 percent, 2.7 percentage points lower than in FY 2024, after increasing by 11.8 percentage points from FY 2023 to FY 2024.⁴⁴ Despite the decline in cost coverage in FY 2025, as shown in Figure III-5, cost coverage for USPS Marketing Mail Flats in FY 2025 was 13.4 percentage points higher than in FY 2021.

⁴⁴ See Library Reference PRC-LR-ACR2025-4; FY 2024 ACD at 27. The Commission notes that the Postal Service states that the cost coverage of USPS Marketing Mail Flats decreased by 2.6 percentage points in FY 2025. January 16 Response to CHIR No. 1, question 5.a. This is likely due to both differences in fee distribution methodologies for the class and rounding.

**Figure III-6
USPS Marketing Mail Flats Cost Coverage and Contribution, FY 2021–FY 2025**



Source: Library Reference PRC-LR-ACR2025-1.

Unit revenue grew by 10.7 percent in FY 2025, a decrease compared to the 13.1 percent unit revenue growth seen in FY 2024. *See* Library Reference PRC-LR-ACR2025-4; January 16 Response to CHIR No. 1, question 5.a. In addition, attributable costs-per-piece for USPS Marketing Mail Flats increased from 80 cents in FY 2024 to 92 cents in FY 2025, an increase of 14.7 percent. Library Reference PRC-LR-ACR2025-4; January 16 Response to CHIR No. 1, question 5.a. This increase in attributable costs-per-piece contrasts with the 4.3 percent decline in cost-per-piece for USPS Marketing Mail Flats seen between FY 2023 and FY 2024. *See* FY 2024 ACD at 28. According to the Postal Service, “[t]he sharp absolute and percentage increase in unit costs was primarily driven by cost increases in processing and delivery of 4.6 [cents] (9.7 percent) and 4.8 cents (20.6 percent), respectively.” January 16 Response to CHIR No. 1, question 5.a. The Postal Service also reports a 1.3 cent (18.4 percent) increase in purchased transportation unit costs, and a 0.8 cent (43.5 percent) increase in vehicle service drivers unit costs.⁴⁵

USPS Marketing Mail Flats had a negative contribution of \$404 million in FY 2025, as shown in Figure III-5. As a result, the cumulative negative contribution from USPS Marketing Mail Flats between FY 2008 and FY 2025 grew to \$10.3 billion, as shown in Figure III-5.

⁴⁵ Library Reference USPS-FY25-45, FY 25 Rule 3050.55 Paragraph (b) Narratives, at 2.

USPS Marketing Mail Flats volume decreased, from 1.937 billion mailpieces in FY 2024 to 1.668 billion mailpieces in FY 2025, a decline of 13.9 percent.⁴⁶ This rate of decline is similar to the rate of decline experienced from FY 2023 to FY 2024, i.e., slightly more than 13 percent. FY 2024 ACD at 28.

(2) Previous ACD Directives

Given USPS Marketing Mail Flats' history of not covering its costs, the Commission has issued specific directives related to the cost coverage of USPS Marketing Mail Flats since the FY 2010 ACD.⁴⁷ In the FY 2024 ACD, the Commission found that the cost coverage remained deficient and reminded the Postal Service that, under 39 C.F.R. § 3030.221, the Postal Service must propose a rate increase for USPS Marketing Mail Flats that is at least 2 percentage points above the average rate increase for the class in any rate adjustment filing affecting the USPS Marketing Mail class. FY 2024 ACD at 33. The Commission also urged the Postal Service to continue its pursuit of cost reductions for flat-shaped products. *Id.* Consistent with 39 C.F.R. § 3030.221, the Postal Service raised rates for USPS Marketing Mail Flats by at least 2 percentage points higher than the USPS Marketing Mail class average in the only Market Dominant rate increase in FY 2025. *See* Order No. 8867 at 100.

(3) Comments on USPS Marketing Mail Flats

The Public Representative notes the decrease in the USPS Marketing Mail Flats product's cost coverage, attributing it, "largely," to "a 4.6 percent decrease in revenue," and remarks that "the Postal Service should continue focusing on improving USPS Marketing Mail Flats' cost coverage to push it back toward being compensatory." PR Comments at 10, 11.

(4) Commission Analysis

The Commission's analysis of USPS Marketing Mail Flats examines cost coverage, the intra-class subsidy, and changes in the product-level mail mix.

(a) FY 2025 Cost Coverage and Unit Contribution

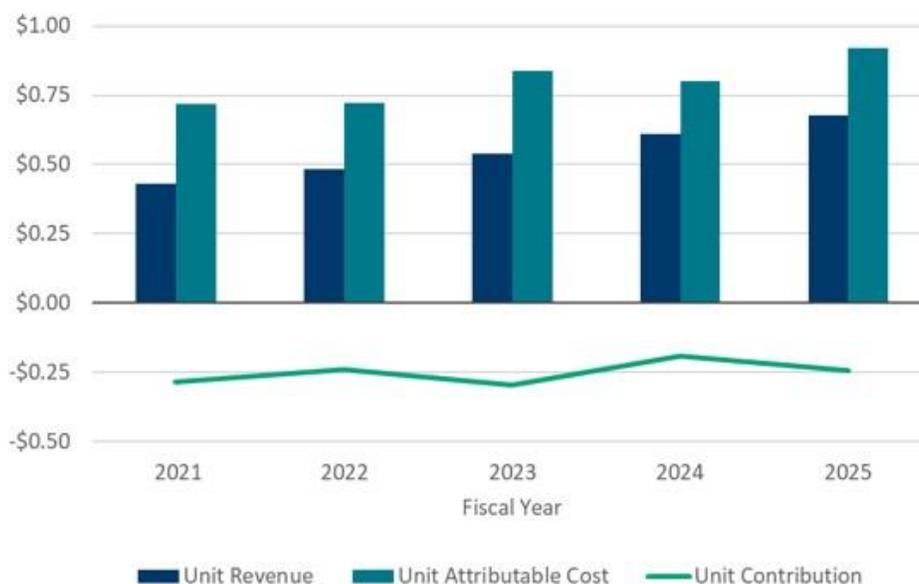
As described above, the cost coverage for USPS Marketing Mail Flats was 73.7 percent in FY 2025, 2.7 percentage points lower than in the prior year. Library Reference PRC-LR-ACR2025-1. As shown in Figure III-6, the negative unit contribution of USPS Marketing Mail Flats was 24.2 cents in FY 2025, a 5.2 cent decrease in unit contribution from FY 2024. *See* Library Reference PRC-LR-ACR2025-1; FY 2024 ACD at 29. Because cost coverage and unit contribution are functions of both cost and revenue, the Commission also shows unit cost and unit revenue trends in Figure III-6. Unit revenues increased by 10.7 percent, from 61.2 cents in FY 2024 to 67.7 cents in FY 2025. FY 2025 ACR at 5; FY 2024 ACD at 29.

⁴⁶ FY 2024 ACD at 28; FY 2025 ACR at 5; January 23 Response to CHIR No. 2, question 27.

⁴⁷ *See* FY 2024 ACD at 28; FY 2023 ACD at 35; FY 2022 ACD at 39-40 (describing the history of Commission directives related to the cost coverage of USPS Marketing Mail Flats between FY 2010 and FY 2021).

As noted previously, USPS Marketing Mail Flats volume declined 13.9 percent. January 23 Response to CHIR No. 2, question 27. As a result, USPS Marketing Mail Flats total revenue declined despite the increase in unit revenue.⁴⁸

Figure III-7
USPS Marketing Mail Flats Unit Revenue, Attributable Cost, and Contribution,
FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-1.

(b) Intra-Class Cross-Subsidy

In the FY 2010 ACD, as part of its findings of non-compliance, the Commission analyzed the intra-class subsidy received by USPS Marketing Mail Flats, specifically from USPS Marketing Mail Letters, and found that the rates for USPS Marketing Mail Flats “produced a substantial and growing cost coverage shortfall that burdened mailers of other [USPS Marketing Mail] products.”⁴⁹ The Commission issued its FY 2010 ACD directive with the intent of enabling the Postal Service to reduce the contribution gap between these products.⁵⁰

⁴⁸ FY 2025 ACR at 5; Docket No. ACR2024, Library Reference PRC-LR-ACR2024-1, March 28, 2025, file “FY24 Summary LR-1.xlsx,” tab “Total All Mail (Appendix A),” cell C30.

⁴⁹ Order No. 1427 at 8; see FY 2010 ACD at 105-07; see also *U.S. Postal Serv. v. Postal Regul. Comm’n*, 676 F.3d 1105, 1107-08 (D.C. Cir. 2012). The Commission identified several factors used in its determination including a significant and growing cost coverage shortfall; the duration of the shortfall over a significant period; evidence that the cost coverage shortfall was likely to increase further; a significant adverse impact on users of other mail products (some of whom could be competitors of mailers of the subsidized mail product) requiring subsidization of the non-complying product; failure of the Postal Service to address the shortfall by rate increases, cost decreases, or a combination thereof, despite the capability to do so; and the failure of the Postal Service to provide an adequate explanation for not taking necessary remedial steps designed to ameliorate the cost coverage shortfall. Order No. 1427 at 9.

⁵⁰ *Cf. id.* at 8. FY 2010 ACD at 105-07. The contribution gap is calculated as the difference between the unit contribution made by USPS Marketing Mail Letters and the unit contribution made by USPS Marketing Mail Flats.

In FY 2010, the fiscal year in which the directive was issued, the contribution gap between USPS Marketing Mail Letters and USPS Marketing Mail Flats was 16.8 cents. By FY 2023, the contribution gap reached a high of 40.8 cents. FY 2024 ACD at 30. Although the contribution gap decreased to 32.8 cents in FY 2024,⁵¹ the contribution gap increased to 38.6 cents in FY 2025. *See* Library Reference PRC-LR-ACR2025-1. Over the long term, the unit contribution for USPS Marketing Mail Flats has decreased by 16.0 cents since FY 2010, while during the same time, the unit contribution for USPS Marketing Mail Letters has increased by 5.8 cents.

(c) Changes in the Product-Level Mail Mix

The Commission notes, as part of its analysis for USPS Marketing Mail Flats, that changes have occurred in the mail mix over time. Figure III-7 shows the distribution of USPS Marketing Mail Flats, USPS Marketing Mail Carrier Route, and USPS Marketing Mail High Density/Saturation Flats volumes. In past years, USPS Marketing Mail High Density/Saturation Flats came to occupy an increasing share of flat-shaped USPS Marketing Mail. All USPS Marketing Mail products, except Letters and High Density and Saturation Letters, experienced volume decreases in absolute terms in FY 2025.⁵² However, the relative decrease of USPS Marketing Mail Flats volume helps to limit the impact of this non-compensatory product on the class as a whole.

Figure III-8
Volume Distribution of USPS Marketing Mail Flats, Carrier Route,
High Density/Saturation Flats, FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-4.

⁵¹ *Id.* at 30.

⁵² FY 2025 ACR at 5; Docket No. ACR2024, Library Reference PRC-LR-ACR2024-1, file "FY24 Summary LR-1.xlsx," tab "Total All Mail (Appendix A)," cells B26:B32.

Changes in the mail mix of commercial and nonprofit mail can serve to dampen the expected effects of rate increases on unit revenue for the USPS Marketing Mail Flats product. USPS Marketing Mail Nonprofit Flats are required under 39 U.S.C. § 3626(a)(6)(A) to have lower rates compared to their commercial counterparts and, thus, generate less revenue per mailpiece. From FY 2023 to FY 2024, the proportion of nonprofit USPS Marketing Mail Flats remained unchanged, and the Postal Service stated in the FY 2024 ACR that the increasing proportion of nonprofit USPS Marketing Mail Flats “appears to have stabilized at 33.7 percent . . .” FY 2024 ACR at 20. However, in FY 2025, nonprofit mailpieces made up a larger percentage of the total USPS Marketing Mail Flats volume, at 37.1 percent.⁵³ Figure III-8 shows the proportions of Nonprofit Flats and Commercial Flats from FY 2021 through FY 2025. The Postal Service believes “Commercial Flats to be facing more direct and more robust competition from digital alternatives than Nonprofit Flats.” February 6 Response to CHIR No. 7, question 8.a. This could explain why the relative proportion of Commercial Flats is decreasing. However, the Postal Service forecasted in its Integrated Financial Plan (IFP) that the proportion of Nonprofit Flats will remain at 37.1 percent in FY 2026. *Id.* question 8.c. The Commission notes that stabilizing the proportion of Nonprofit Flats could help stabilize unit revenue. As such, the Commission will continue to monitor these trends.

Figure III-9
USPS Marketing Mail Flats Commercial-Nonprofit Mail Mix, FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-4.

⁵³ Library Reference PRC-LR-ACR2025-4; Library Reference USPS-FY25-45, FY 25 Rule 3050.50 Paragraph (b) Narratives, at 9.

(5) FY 2025 Directive

Given the persisting deficiency in cost coverage for USPS Marketing Mail Flats, the Commission continues to find that this product violates 39 U.S.C. § 101(d) by constituting an intra-class subsidy. The Commission not only agrees with the Public Representative that the Postal Service should continue focusing on improving the cost coverage of the USPS Marketing Mail Flats product but notes that, in fact, the Postal Service must do so.

Pursuant to 39 C.F.R. § 3030.221, whenever the Postal Service files a rate adjustment affecting the USPS Marketing Mail class, it is required to increase the rate for USPS Marketing Mail Flats by a minimum of 2 percentage points above the percentage increase for the class. At the same time, the Commission recognizes that rate increases alone will not result in this product's compliance with 39 U.S.C. § 101(d). The full solution must come from a combination of revenue increases and meaningful cost reductions for flat-shaped mail. The Commission urges the Postal Service to continue to pursue effective cost reductions.

The Commission finds that the cost coverage for USPS Marketing Mail Flats remained deficient in FY 2025 and reminds the Postal Service that under 39 C.F.R. § 3030.221, it must propose a rate increase for USPS Marketing Mail Flats that is at least 2 percentage points above the average increase for the class in any rate adjustment filing affecting USPS Marketing Mail. The Commission urges the Postal Service to continue to pursue cost reductions of flat-shaped products, including USPS Marketing Mail Flats.

2. Package Services

Package Services covered its overall attributable costs in FY 2025, with a cost coverage of 122.82 percent. Library Reference PRC-LR-ACR2025-6. The Package Services class consists of four products. Three of those products, Bound Printed Matter (BPM) Flats, BPM Parcels, and Media Mail/Library Mail, covered their attributable costs in FY 2025. *Id.* Alaska Bypass Service was the only Package Services product that failed to cover its attributable cost. *Id.* Table III-5 contains the cost coverage for each Package Services product.

**Table III-5
Package Services Cost Coverage, FY 2021–FY 2025**

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Package Services Overall	93.17%	102.22%	102.34%	115.87%	122.82%
Alaska Bypass Service	129.75%	135.99%	120.06%	99.32%	78.43%
Bound Printed Matter Flats	117.30%	124.72%	113.95%	127.74%	133.85%
Bound Printed Matter Parcels	94.60%	108.67%	118.87%	100.85%	105.77%
Media Mail / Library Mail	84.34%	91.29%	89.74%	129.65%	151.28%

Source: Library Reference PRC-LR-ACR2025-6.

As Table III-5 demonstrates, the cost coverage for the Package Services class in FY 2025 is the highest it has been in the last 5 fiscal years.⁵⁴ It further shows that cost coverages in FY 2025 yielded positive results for all Package Services products except for Alaska Bypass Service. While BPM Flats, BPM Parcels, and Media Mail/Library Mail saw cost coverage increases, Alaska Bypass Service continued to drop precipitously and remained out of compliance for a second consecutive year.

a. Alaska Bypass Service
(1) FY 2025 Results

In FY 2025, the Alaska Bypass Service product failed to cover its attributable costs with a cost coverage of 78.43 percent. *See* FY 2025 ACR at 6. Aside from FY 2022, when the cost coverage of Alaska Bypass Service improved slightly, since FY 2017, the cost coverage for the product has declined in each fiscal year. The cost coverage decreased from 193.4 percent, in FY 2017, to its current 78.43 percent. *See* Library Reference PRC-LR-ACR2025-6. As demonstrated in Table III-6, the product's cost coverage has generally been worsening due to outsized increases in attributable costs relative to revenue. In FY 2025, Alaska Bypass Service had unit revenue of \$34.97 and unit attributable costs of \$44.59. *See* Table III-6. This represents just a 5.99 percent increase in unit revenue but a 34.22 percent increase in unit attributable costs. In FY 2024, Alaska Bypass Service experienced a 5.80 percent increase in unit revenue and a 27.89 percent increase in unit attributable cost compared to FY 2023. *See* FY 2024 ACR at 25.

The Postal Service states that attributable costs for Alaska Bypass Service are computed by multiplying the accrued Alaska Bypass Service costs by the Alaska Adjustment Factor (AAF). *See id.*; *see also* February 6 Response to CHIR No. 7, question 13.c. The AAF is the ratio of inter-SCF cost-per-pound to Alaska Bypass Service cost-per-pound. *Id.* In FY 2025, the AAF increased by 5.48 percentage points to 29.94 percent due to an 8.6 percent increase in inter-SCF costs and a 16.9 percent decrease in inter-SCF pounds. January 16 Response to CHIR No. 1, question 9.b. The increase in inter-SCF costs is partially due to a shift in costs between accounts with different estimated volume variabilities. February 6 Response to CHIR No. 7, question 13.a. According to the Postal Service, the decrease in inter-SCF pounds is a byproduct of numerous factors that contribute and offset changes to air and transportation costs and volumes, such as service standard changes, transportation contracts, and mixture of volume. *Id.* question 13.b.

(2) Comments on Package Services and Alaska Bypass

The Public Representative notes that Package Services and its products, aside from Alaska Bypass Service, covered their respective attributable costs in FY 2025. PR Comments at 13. The Public Representative also notes that as a class, Package Services contributed \$172 million to institutional costs in FY 2025. *Id.*; *see* FY 2025 ACR at 6. The Public Representative states that Media Mail/Library Mail had the largest increase in cost

⁵⁴ To see a more extensive accounting of Package Services cost coverages, see Library Reference PRC-LR-ACR2025-6.

coverage in FY 2025 at 21.7 percentage points, and Alaska Bypass Service had the largest decrease at 20.9 percentage points. PR Comments at 14.

The Public Representative notes that attributable costs for Alaska Bypass Service increased by 23.0 percent in FY 2025, contributing to its reduced cost coverage and non-compensatory status. *Id.* at 15. As the Postal Service has represented to the Commission that Alaska Bypass Service’s attributable costs are regulated and outside of its control, the Public Representative recommends the Postal Service “carefully evaluate the prices for Alaska Bypass [Service] to ensure the product generates sufficient revenue to be compensatory in FY 2026.” *Id.*

(3) Commission Analysis

The Package Services class had a cost coverage of 122.82 percent in FY 2025, an improvement from the 115.87 percent cost coverage achieved in FY 2024. *See* Library Reference PRC-LR-ACR2025-6. This is driven by improved cost coverages for the BPM Flats (133.85 percent), BPM Parcels (105.77 percent), and Media Mail/Library Mail (151.28 percent) products in FY 2025 and was achieved despite the cost coverage decline for Alaska Bypass Service (78.43 percent). *See* Table III-5, *infra*.

Table III-6 contains the volume, unit revenue, unit attributable cost, unit contribution, AAF, and cost coverage of Alaska Bypass Service for FY 2021 through FY 2025. As illustrated in Table III-6, Alaska Bypass Service cost coverage has been generally in decline over the last 5 years. In fact, aside from FY 2022, where the Alaska Bypass Service product saw a slight improvement in cost coverage, since FY 2017, the cost coverage for the product has declined each fiscal year and has seen its cost coverage decrease from 193.4 percent to its current 78.43 percent.

Table III-6
Alaska Bypass Service Product Data, FY 2021–FY 2025

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Cost Coverage	129.75%	135.99%	120.06%	99.32%	78.43%
Volume (Millions)	1.34	1.34	1.25	1.16	1.06
Unit Revenue (Dollars)	\$26.10	\$28.76	\$31.19	\$33.00	\$34.97
Unit Attributable Cost (Dollars)	\$20.12	\$21.15	\$25.98	\$33.22	\$44.59
Unit Contribution (Dollars)	\$5.99	\$7.61	\$5.21	(\$0.22)	(\$9.62)
Alaska Adjustment Factor	17.06%	18.72%	20.12%	24.46%	29.94%

Source: Library Reference PRC-LR-ACR2025-6; January 16 Response to CHIR No. 1, question 9.a.

As Table III-6 shows, the decrease in cost coverage for Alaska Bypass Service is a result of an increase in unit attributable costs (by 34.22 percent) outpacing the increase in unit revenue (5.99 percent). In other words, a singular unit of Alaska Bypass Service mail cost the Postal Service \$11.37 more to process and deliver in FY 2025 than in FY 2024, while the Postal Service only saw increased unit revenue of \$1.98.

Previously, the Postal Service explained that, as a result of Public Law 98-443, the accrued costs for Alaska Bypass Service are largely outside its control because air carrier rates are set by the Department of Transportation, and it is precluded from directly contracting for air service in Alaska. *See* Docket No. ACR2024, Response to CHIR No. 2, question 5.a.i. Despite the product's clear decline in cost coverage, the Postal Service did not provide any narrative pertaining to Alaska Bypass Service in its FY 2025 ACR submission.

To better understand the nature of the Alaska Bypass Service product and restrictions on the Postal Service's ability to improve its cost coverage during FY 2025, the Commission issued questions in CHIR No. 1 and CHIR No. 7 seeking additional information. In response to these CHIRs, the Postal Service asserts that it is "principally responsible for payment" of the costs of the Alaska Bypass Service. January 16 Response to CHIR No. 1, question 9.c. It states that the factors that drive costs, such as the rates the Postal Service pays to air carriers in Alaska, are determined by the Department of Transportation and that reclassifying a bush site to a hub (which has been previously identified by the Postal Service as a potential method to control costs because "lower-cost mainline airlines could operate" there) would require extensive consultations between the Postal Service and Alaskan officials and 12-months' notice to the public with no guarantee of a successful outcome.⁵⁵

The Commission notes some inconsistency in the Postal Service's responses to its CHIRs. The Postal Service states that the transportation network changes implemented under the DFA Plan had no impact on Alaska Bypass Service. February 6 Response to CHIR No. 7, question 13.c. Yet in the same response, the Postal Service explains that the decrease in inter-SCF pounds is caused by numerous factors that contribute and offset changes to air and surface transportations costs and volumes, such as service standard changes, transportation contracts, and the mixture of volume that uses the network. *Id.* question 13.b. Both service standard changes and the mixture of volume using the network, particularly how transportation is used, are key tenets of the DFA Plan. Since the Postal Service states that these DFA elements are factors influencing the decrease in inter-SCF pounds, which the Postal Service also identifies as a reason for the increase in inter-SCF volume-variable cost and thus the AAF, these responses appear contradictory.

In light of the product's continued deterioration in cost coverage and the absence of a concrete plan to address it, the Commission notes that the requirement related to price increases for Alaska Bypass Service is unlikely to restore the product to compensatory

⁵⁵ *Id.*; *see also* United States Postal Service, Office of Inspector General, Report No. RARC-WP-12-005, Alaska Bypass: Beyond Its Original Purpose, November 28, 2011, at 3, available at https://www.uspsoig.gov/sites/default/files/reports/2023-01/rarc-wp-12-005_0.pdf.

status on its own. The Commission does not accept the Postal Service's premise that price adjustments are its only available tool. The Commission appreciates that the Postal Service is in a difficult position regarding how to operationalize Alaska Bypass Service but believes the Postal Service has greater capacity to influence cost coverage than it suggests through, for example, better controlling inter-SCF costs in the wider network.

The Commission finds that the FY 2025 revenue for Alaska Bypass Service was insufficient to cover its attributable costs. Although the Postal Service explains that accrued costs for Alaska Bypass Service are largely outside its control, the Commission encourages it to evaluate costs in an effort to improve Alaska Bypass Service cost coverage. The Commission reminds the Postal Service that under 39 C.F.R. § 3030.221, the Postal Service must increase the prices of Alaska Bypass Service by at least 2 percentage points above the class average in each Market Dominant rate adjustment affecting Package Services through the issuance of the FY 2026 ACD.

D. Fully Compensatory Classes

1. First-Class Mail

a. FY 2025 Results

As a class, First-Class Mail covered its attributable costs in FY 2025 and had an overall cost coverage of 246.8 percent, an increase compared to the 241.6 percent cost coverage in FY 2024. As in FY 2024, each product within First-Class Mail covered its costs in FY 2025. Table III-7 provides the cost coverage for each First-Class Mail product as well as the overall class for the last 5 fiscal years.

**Table III-7
First-Class Mail Cost Coverage, FY 2021–FY 2025**

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
First-Class Mail Overall	193.7%	210.7%	211.2%	241.6%	246.8%
Single-Piece Letters/Postcards	148.9%	154.4%	158.0%	178.0%	180.5%
Presorted Letters/Postcards	279.9%	307.0%	296.7%	336.4%	340.7%
Flats	98.9%	108.8%	113.5%	124.3%	128.7%
Outbound Single-Piece International	152.8%	171.1%	170.2%	164.5%	149.7%
Inbound Letter Post	122.2%	128.0%	129.1%	136.0%	149.3%

Source: Library Reference PRC-LR-ACR2025-3.

b. Comments

The Public Representative finds that First-Class Mail and each of its products covered their attributable costs and that the class contributed \$15.5 billion to institutional costs in FY 2025. PR Comments at 4. The Public Representative states that First-Class Mail volume decreased at a greater rate in FY 2025 than it did in FY 2024, 5.2 percent to 3.8 percent, respectively. *Id.* According to the Public Representative, “Outbound Single-Piece First-Class Mail International had the largest percentage reduction in volume in FY 2025, 15.5 percent.” *Id.* at 4-5. He notes that the lone product whose volume increased in FY 2025 was Single-Piece Postcards, which “does not align with its volume decreases of the preceding years[]” and, therefore, may be “due to external factors.” *Id.* at 5. The Public Representative encourages the Commission and the Postal Service to investigate this result “further to evaluate whether it is due to the Postal Service’s efforts, the fact that Single-Piece Postcards is the smallest-volume domestic product, or other external factors.” *Id.* Furthermore, attributable costs decreased for all First-Class Mail products except for Presorted Letters/Cards. *Id.* In addition, cost coverage increased for all First-Class Mail products except for Outbound Single-Piece First-Class Mail International, which decreased by 14.8 percentage points. *Id.* at 6-7. The Public Representative observes that this decrease follows a decrease of 5.7 percentage points in FY 2024. *Id.* at 7. The Public Representative also notes that because there are currently numerous changes to the system from the DFA Plan, he has difficulty discerning “which, if any, of the Postal Service’s initiatives are the primary cause of the increasing cost coverage of First-Class Mail products.” *Id.* at 7-8. He notes the difficulty in predicting how these changes will impact volume levels, which have been in decline since FY 2023. *Id.* at 8. Further, the Public Representative cautions that these improvements in cost coverage may not persist if customers view any long-term trend in price increases and reduced service performance in a negative fashion and discontinue use of Postal Service products and services. *Id.*

The Greeting Card Association (GCA), in comments that focus on First-Class Mail Single-Piece, observes that providing “a worse product at the same (or even higher) price amounts to a ‘hidden’ price increase[]” and raises concern that the Postal Service’s elasticity calculations “fail to consider” this impact on “the perceived value of the service for customers.” GCA Comments at 1. GCA concludes that under such circumstances, prices might be “unjust” or excessive for consumers. *Id.* at 1-3.

The Postal Service responds⁵⁶ to GCA’s concerns stating that “[s]ince 2022, the Postal Service has included an actual-days-to-deliver variable in [its] demand equations” and that as a result the Governors do take service into account in pricing decisions. Postal Service Reply Comments at 2.

⁵⁶ The Postal Service does not respond to the Public Representative’s extensive comments on First-Class Mail.

c. Commission Analysis

The Commission finds that all First-Class Mail products covered their attributable costs in FY 2025. Overall, cost coverage improved from FY 2024, total First-Class Mail revenue and contribution increased, and revenues for a few First-Class Mail products increased in FY 2025.⁵⁷ Notably, however, volume for most First-Class Mail products declined at a greater rate in FY 2025 than in FY 2024, except for Single-Piece Letters and Postcards, and Flats.⁵⁸ Unfortunately, the volume of Outbound Single-Piece First-Class Mail International continues to decrease, as does total revenue and cost coverage despite decreases in attributable cost in FY 2025.⁵⁹

The Commission appreciates comments on First-Class Mail trends and notes that it will continue to monitor trends in volume, revenue, cost, and contribution for these products. In particular, the Commission will monitor the concerning trend for Outbound Single-Piece First-Class Mail International along with any further volume increases for Cards, as noted by the Public Representative. With regard to GCA's concerns, the Commission encourages the Postal Service to take customer views and concerns with service performance into account when pricing products. The Commission also notes that it is currently reviewing the Market Dominant ratemaking system, including various proposals submitted by interested parties.⁶⁰ Therefore, comments and petitions related to these concerns are more appropriately addressed in other Commission proceedings and are outside the scope of this proceeding.

The Commission finds that all First-Class Mail products covered their attributable costs in FY 2025. The Commission encourages the Postal Service to continue seeking ways to improve the cost coverage of the First-Class Mail class. The Commission further encourages the Postal Service to monitor cost coverage and revenue trends related to Outbound Single-Piece First-Class Mail International.

⁵⁷ Revenues for Single-Piece Letters and Cards, Outbound Single-Piece First-Class Mail International and Inbound Letter Post did not increase. Compare Library Reference USPS-FY25-1, Excel file "Public_FY25CRARreport.xlsx," tab "Cost 1," cells D11:D19, with Docket No. ACR2024, Library Reference USPS-FY24-1, December 30, 2024, Excel file "Public_FY24CRARreport.xlsx," tab "Cost 1," cells D11:D19.

⁵⁸ While volume for Single-Piece Letters and Cards, and Flats decreased in FY 2025, those volumes declined at a slower rate than in FY 2024. Compare Library Reference USPS-FY25-1, Excel file "Public_FY25CRARreport.xlsx," tab "Volume 1," cells D14:D23, with Docket No. ACR2024, Library Reference USPS-FY24-1, Excel file "Public_FY24CRARreport.xlsx," tab "Volume 1," cells D14:D23.

⁵⁹ Compare Library Reference USPS-FY25-1, Excel file "Public_FY25CRARreport.xlsx," tab "Cost1," cells D18, F18, R18, with Docket No. ACR2024, Library Reference USPS-FY24-1, Excel file "Public_FY24CRARreport.xlsx," tab "Cost1," cells D18, F18, R18; compare Library Reference USPS-FY25-1, Excel file "Public_FY25CRARreport.xlsx," tab "Volume1," cell D21, with Docket No. ACR2024, Library Reference USPS-FY24-1, Excel file "Public_FY24CRARreport.xlsx," tab "Volume1," cell D21; see also PR Comments at 7.

⁶⁰ See generally Docket No. RM2024-4.

2. Special Services

a. FY 2025 Results

As a class, Special Services covered its attributable cost in FY 2025 and had an overall cost coverage of 244.3 percent, which is an increase from FY 2024's cost coverage of 230.7 percent. Table III-8 contains the cost coverages of a selection of key products from the 10 total Special Services products as well as the overall class cost coverage for the last 5 fiscal years. All 10 Special Services products covered their attributable costs in FY 2025. Library Reference PRC-LR-ACR2025-7; Library Reference PRC-LR-ACR2025-NP2.

Table III-8
Special Services Cost Coverage, FY 2021–FY 2025

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Total Special Services	141.00%	155.50%	163.00%	230.70%	244.30%
Ancillary Services	133.70%	146.40%	146.40%	243.00%	239.10%
International Ancillary Services	127.60%	204.90%	183.50%	167.70%	128.10%
Address Management Services	318.80%	593.60%	1,055.00%	1,303.90%	2,131.50%
Money Orders	88.50%	99.20%	133.10%	141.70%	165.90%
Post Office Box Service	218.90%	236.90%	231.90%	233.60%	281.50%
Stamp Fulfillment Services	136.60%	127.70%	179.20%	208.30%	200.90%

Source: Library Reference PRC-LR-ACR2025-7.

b. Commission Analysis

As Table III-8 shows, the cost coverage for the Special Services class in FY 2025 was the highest it has been in the last 5 fiscal years, reflecting a trend of class cost coverage improvement year over year for each of the last 5 fiscal years. Table III-8 further illustrates that cost coverages for listed Special Services products are generally higher in FY 2025 compared to prior years and that the cost coverages for half of the listed products had an increase in cost coverage between FY 2024 and FY 2025.

The increase in cost coverage for the Special Services class between FY 2024 and FY 2025 can be partially attributed to notable improvements in Address Management Services, Post Office Box Service, and Money Orders. Address Management Services' revenue increased 20.6 percent while its attributable costs decreased 26.2 percent. Library Reference PRC-LR-ACR2025-7. The Postal Service explains that the increase in revenue can be attributed to the July 2025 price change while Address Management Services' reduction in costs is rooted in a reduction in Cost Segment 16, supplies and services. January 23 Response CHIR No. 2, question 34.b. Post Office Box Service benefitted from an outsized decrease in attributable costs, with the product seeing its revenue decrease 1.0 percent while its attributable costs decreased 17.9 percent. Library Reference PRC-LR-ACR2025-7.

As shown in Table III-8, Money Orders did not cover its attributable costs in FY 2021 and FY 2022. In FY 2025, Money Orders covered its attributable costs with a cost coverage of 165.9 percent, a 77-percentage point improvement since FY 2021 and a notable improvement over FY 2024's cost coverage of 141.7 percent. This improvement is due to a combination of a 7.2 percent decline in volume, a 6.2 percent decrease in revenue, and a 19.9 percent decrease in attributable cost. *Id.* The Postal Service attributes the substantial decrease in attributable costs to decreased window costs due to volume declines, decreased supplies usage and costs, and decreased credit and debit card fees. January 23 Response to CHIR No. 2, question 34.b.

The Commission finds that all Special Services products covered their attributable costs in FY 2025. The Commission encourages the Postal Service to continue seeking ways to improve the cost coverage of the Special Services class.

CHAPTER IV. COMPETITIVE PRODUCTS

A. Introduction

In this chapter, the Commission reviews Competitive products to determine whether any rates or fees in effect during FY 2025 were not in compliance with 39 U.S.C. § 3633, which:

- Prohibits subsidization of Competitive products by Market Dominant products: 39 U.S.C. § 3633(a)(1).
- Requires that each Competitive product cover its attributable cost: 39 U.S.C. § 3633(a)(2).
- Requires that, collectively, Competitive products cover an appropriate share of the Postal Service's institutional costs: 39 U.S.C. § 3633(a)(3).

The principal FY 2025 findings for Competitive products are:

- Total revenues of \$33.855 billion for Competitive products exceeded incremental costs of \$23.532 billion. Thus, Competitive products were not subsidized by Market Dominant products during FY 2025, thereby satisfying 39 U.S.C. § 3633(a)(1).
- Revenues for 18 Competitive products did not cover attributable costs and therefore did not comply with 39 U.S.C. § 3633(a)(2). The Competitive products that did not cover attributable costs are International Direct Sacks – Airmail M-Bags, and two outbound international negotiated service agreements (NSAs), as well as fifteen domestic NSA products.⁶¹
- At the sub-product level, five additional agreements with Competitive domestic products that are included contracts in Non-Published Rates (NPR) products did not cover their costs, even though the NPR products as a whole each did cover their costs.⁶²

⁶¹ Priority Mail Express, Priority Mail & USPS Ground Advantage Contract 306; Priority Mail Express, Priority Mail & USPS Ground Advantage Contract 278; Priority Mail & USPS Ground Advantage Contract 113; Priority Mail & USPS Ground Advantage Contract 312; Priority Mail & USPS Ground Advantage Contract 148; Priority Mail Express & USPS Ground Advantage Contract 1; Priority Mail & USPS Ground Advantage Contract 347; Priority Mail Express, Priority Mail, USPS Ground Advantage & Parcel Select Contract 2; Priority Mail Contract 755; Priority Mail Contract 800; Priority Mail Contract 805; Priority Mail Contract 807; Priority Mail Contract 809; Priority Mail Contract 815; Priority Mail Contract 850.

⁶² Priority Mail Express, Priority Mail & USPS Ground Advantage (MMNPR2-1084); Priority Mail Express, Priority Mail & USPS Ground Advantage (MMNPR2-1128); Priority Mail Express, Priority Mail & USPS Ground Advantage (MMNPR2-1011); Priority Mail Express, Priority Mail & USPS Ground Advantage (MMNPR2-0163); Priority Mail Express, Priority Mail & USPS Ground Advantage (MMNPR1-0176).

- Six sub-product level items of Competitive international products did not cover their costs, even though the products as a whole did cover their costs. Outbound Competitive International Registered Mail, which is included in the Competitive International Ancillary Services product, did not cover its costs. Global Express Guaranteed, which is a component of Outbound International Expedited Services, did not cover its attributable costs. One outbound international NSA included in and NPR product did not cover its attributable costs. Two included contracts in the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators product did not cover their attributable costs. Lastly, the Inbound Express Mail Service agreement in Docket No. CP2021-128 did not cover its attributable cost in the first quarter of FY 2025.
- In FY 2025, the total contribution made by Competitive products collectively to institutional costs was \$10.3 billion or 23.4 percent of total institutional costs, which surpasses the formula-derived 9.6 percent requirement. Collectively, Competitive products satisfied the appropriate share requirement of 39 U.S.C. § 3633(a)(3) during FY 2025.

B. Cross-Subsidy Provision: 39 U.S.C. § 3633(a)(1)

39 U.S.C. § 3633(a)(1) requires that Competitive products not be subsidized by Market Dominant products. To determine compliance, the Commission uses the incremental cost test, which calculates the collective costs incurred by Competitive products, and compares those costs to the collective revenue generated by Competitive products. Under the current incremental cost test, if the revenue from Competitive products exceeds those products' incremental costs, the Commission concludes that no cross-subsidization has occurred.

Because the collective incremental costs of Competitive products are greater than the sum of the attributable cost of each product, using collective incremental costs raises the Competitive product cost floor when testing for cross-subsidization. Therefore, the incremental cost model applied at Competitive products' group level provides a more rigorous test for determining compliance with 39 U.S.C. § 3633(a)(1) than the attributable cost coverage requirement of 39 U.S.C. § 3633(a)(2), which is applied at the product level.

Pitney Bowes states that “[t]he public FY 2025 data confirms that the Postal Service fully complied with 39 U.S.C. § 3633(a)(1) which prohibits the subsidization of competitive products by market-dominant products.” Pitney Bowes Comments at 5. Additionally, Pitney Bowes states that “[t]he FY 2025 ACR data once again confirms that competitive products are not subsidized by market-dominant products, and there is no indication of anticompetitive pricing.” *Id.* at 6.

The Public Representative agrees with the Postal Service that Market Dominant products did not subsidize Competitive products in FY 2025. PR Comments at 16 (citing FY 2025 ACR at 11, 15).

In FY 2025, the incremental costs of Competitive products were \$23.532 billion and the total revenues of Competitive products were \$33.855 billion. Accordingly, in FY 2025, revenues from Competitive products exceeded incremental costs. FY 2025 ACR at 11.

The Commission finds Competitive products satisfied 39 U.S.C. § 3633(a)(1) in FY 2025.

C. Product Cost Coverage Provision: 39 U.S.C. § 3633(a)(2)

39 U.S.C. § 3633(a)(2) requires that the revenue for each Competitive product cover its attributable cost. Below, the Commission discusses the FY 2025 financial performance for four separate Competitive product groupings:

- Competitive domestic products with rates of general applicability
- Competitive domestic products consisting of NSAs
- Competitive international products with rates of general applicability
- Competitive international products consisting of NSAs

1. Competitive Domestic Products with Rates of General Applicability

In FY 2025, there were ten Competitive domestic products with rates of general applicability:⁶³ Priority Mail Express; Priority Mail; Parcel Select; USPS Ground Advantage; Address Enhancement Services; Greeting Cards, Gift Cards, and Stationery; Competitive Ancillary Services;⁶⁴ Premium Forwarding Service; Post Office Box Service; and Shipping and Mailing Supplies.

The Commission finds that, in FY 2025, every Competitive domestic product with rates of general applicability covered its attributable cost and, thereby, satisfied the statutory requirements of 39 U.S.C. § 3633(a)(2). See Library Reference USPS-FY25-1.

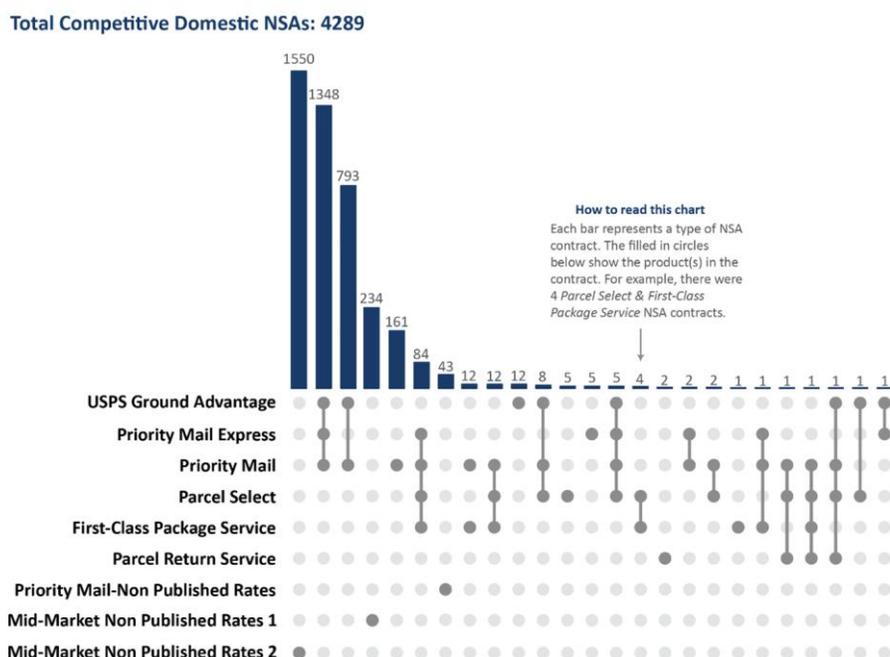
⁶³ The Priority Mail Express, Priority Mail, and USPS Ground Advantage products also include rates not of general applicability.

⁶⁴ The Competitive Ancillary Services product consists of the following services: Adult Signature, Package Intercept Service, Premium Data Retention and Retrieval Service, and Label Delivery Service. See *Mail Classification Schedule* (MCS) § 2645, available at <https://www.prc.gov/mail-classification-schedule>.

2. Competitive Domestic Products Consisting of NSAs

As shown in Figure IV-1, in FY 2025, there were 4,289 Competitive domestic NSAs.⁶⁵ Pursuant to 39 U.S.C. § 3633(a)(2), the Commission finds that all but 15 Competitive domestic NSA products covered their attributable costs in compliance with this statutory requirement. Additionally, five Competitive domestic NSAs that are included in NPR products failed to cover their costs.⁶⁶ Six of the non-compensatory Competitive domestic NSAs have been terminated and three have been renegotiated with higher rates. FY 2025 ACR at 12. Regarding the remaining eleven non-compensatory Competitive domestic NSAs, the Postal Service states that these contracts will continue to be closely evaluated in early 2026 based on expected revenue or volume changes, in order to determine whether termination or renegotiation may be appropriate. *Id.*

Figure IV-1
Competitive Domestic NSA Products in Effect During FY 2025



Source: Library Reference USPS-FY25-NP27.

⁶⁵ The 4,289 NSAs include agreements that were extended via amendment. Each domestic NSA is a separate product, except for NPR products and umbrella products, which can include multiple functionally equivalent NSAs as included contracts. See 39 C.F.R. § 3041.110(i), (p). While there are domestic NPR NSA products, there are currently no domestic umbrella NSA products.

⁶⁶ FY 2025 ACR at 12. Although 20 individual NSAs failed to cover costs, the Commission notes that 5 of these NSAs are included contracts in NPR products. The Commission evaluates the compliance of each NPR product with the standards of 39 U.S.C. § 3633(a)(2) by first evaluating whether each included contract in the NPR product covers its costs attributable. Order No. 6953 at 55. Because 5 included contracts failed to cover their costs, the Commission conducted further analysis to evaluate the compliance of the NPR NSA products in which these contracts are included with the standards of 39 U.S.C. § 3633(a)(2). See *id.* at 55-56. In FY 2025, all domestic NPR products covered their attributable costs in compliance with 39 U.S.C. § 3633(a)(2).

The Postal Service states that although 169 additional NSAs had individual components that failed to cover attributable costs, all 169 of those NSAs had total revenues that exceeded total costs at the NSA level. *Id.* Additionally, the Postal Service asserts that "less than 1 percent of them fell short of cost coverage requirements, with the losses representing less than 0.2 percent of domestic NSA revenue." *Id.*

The Public Representative states that "[a]lthough the raw number of domestic NSAs that missed covering costs increased by 150 percent in FY 2025 (from 8 to 20), the Public Representative observes that the approximate percentage of total domestic NSAs that did not cover costs decreased." PR Comments at 17 (emphasis omitted). The Public Representative notes that the percentage of domestic NSAs that failed to cover costs decreased from approximately 0.8 percent to 0.55 percent. *Id.* The Public Representative expressed concern about the 169 domestic NSAs that included a non-compensatory component in FY 2025 and encouraged the Commission to inquire into the underlying reasons for this significant increase in non-compensatory NSA components in order to identify any patterns or common elements that might exist.⁶⁷

The Commission finds that 20 domestic NSAs did not cover their costs in FY 2025.⁶⁸ No further action is required for the nine non-compensatory contracts that have either been terminated or renegotiated at higher rates. The Commission is concerned about the growing number of NSAs that fail to cover costs or have a component that fails to cover costs. Accordingly, the Commission directs the Postal Service to file along with its FY 2026 Annual Compliance Report filing, the original financial workpapers and a comparison report of the original projected financial data to the actual financial data of any NSAs that do not achieve 100 percent cost coverage as part of the ACR. Additionally, the Commission directs the Postal Service to provide a detailed description of each agreement's performance, an explanation of why the agreement did not cover its cost, a description of any mitigating actions that the Postal Service took during the fiscal year under review, and the Postal Service's plan of action to bring the agreement to positive cost coverage. If the Postal Service's plan of action does not include the termination of such an agreement, the Commission directs it to provide a detailed explanation of the factors supporting the Postal Service's decision to renegotiate or monitor the agreement.

⁶⁷ *Id.* at 18. The Commission inquired about the underlying reasons for the increase in the number of domestic NSAs that did not cover costs in an attachment to the Chairman's Information Request No. 1 filed under seal and found the Postal Service's responses satisfactory. The reasons provided are also applicable to the increase in domestic NSAs that included a non-compensatory component. Responses of the United States Postal Service to Chairman's Information Request No. 1 Questions 10-12.

⁶⁸ Priority Mail Express, Priority Mail & USPS Ground Advantage (MMNPR2-1084); Priority Mail Express, Priority Mail & USPS Ground Advantage (MMNPR2-1128); Priority Mail Express, Priority Mail & USPS Ground Advantage (MMNPR2-1011); Priority Mail Express, Priority Mail & USPS Ground Advantage (MMNPR2-0163); Priority Mail Express, Priority Mail & USPS Ground Advantage (MMNPR1-0176); Priority Mail Express, Priority Mail & USPS Ground Advantage Contract 306; Priority Mail Express, Priority Mail & USPS Ground Advantage Contract 278; Priority Mail & USPS Ground Advantage Contract 113; Priority Mail & USPS Ground Advantage Contract 312; Priority Mail & USPS Ground Advantage Contract 148; Priority Mail Express & USPS Ground Advantage Contract 1; Priority Mail & USPS Ground Advantage Contract 347; Priority Mail Express, Priority Mail, USPS Ground Advantage & Parcel Select Contract 2; Priority Mail Contract 755; Priority Mail Contract 800; Priority Mail Contract 805; Priority Mail Contract 807; Priority Mail Contract 809; Priority Mail Contract 815; Priority Mail Contract 850.

3. Competitive International Products with Rates of General Applicability

Ten Competitive international mail products have rates and fees of general applicability in FY 2025: Outbound International Expedited Services; Outbound Priority Mail International; International Priority Airmail (IPA); International Surface Air Lift (ISAL); Outbound Single-Piece First-Class Package International Service; Inbound Letter Post Small Packets and Bulky Letters; Inbound Parcel Post (at Universal Postal Union (UPU) rates); International Direct Sacks—Airmail M-Bags (M-Bags); International Money Transfer Service (IMTS)—Inbound;⁶⁹ and International Ancillary Services (IAS).

The Commission finds that only one of these products, M-Bags, did not cover its attributable cost and did not satisfy 39 U.S.C. § 3633(a)(2).⁷⁰ However, although Outbound International Expedited Services and IAS covered their respective attributable costs, each product had a component, Global Express Guaranteed (GXG) and Outbound Competitive International Registered Mail, respectively, that did not cover its attributable cost in FY 2025. FY 2025 ACR at 13-14.

Only the Public Representative commented on Competitive international products with rates of general applicability or consisting of NSAs. The Public Representative stated that “[g]iven that many of the noncompliant international Competitive products will no longer be offered in FY 2026, the Public Representative is not overly troubled by these products’ failures to cover costs in FY 2025.” PR Comments at 18. Therefore, the Commission does not discuss any comments below.

a. International Direct Sacks—Airmail M-Bags

M-Bags consists of Outbound M-Bags and Inbound air and surface M-Bags.⁷¹ In FY 2025, for the second consecutive year, M-Bags did not cover its attributable cost. In fact, cost coverage decreased from FY 2024 to FY 2025.⁷²

⁶⁹ IMTS—Inbound was available in FY 2025 but was removed from the MCS effective October 1, 2025. See Order No. 7352 at 9-10 (approving the removal conditionally upon the Postal Service filing a notice confirming that the United States submitted a notice of denunciation of the Postal Payment Services Agreement to the Universal Postal Union by September 30, 2024); see also Docket No. MC2024-413, United States Postal Service Response to Order No. 7352, September 30, 2024 (confirming that the United States submitted a notice of denunciation of the Postal Payment Services Agreement to the Universal Postal Union on September 30, 2024).

⁷⁰ See FY 2025 ACR at 13. See also Library Reference USPS-FY25-NP2, December 29, 2025, Excel file "FY25.ICRA.Report.xlsx," tab "A Pages Summary," row 39.

⁷¹ International Direct Sacks—Airmail M-Bags are direct sacks containing printed matter to a single addressee. Printed matter is defined as paper on which words, letters, characters, figures, images, or any combination thereof, not having the character of a bill or statement of account, or of actual or personal correspondence, have been reproduced by any process other than handwriting or typewriting. Airmail M-Bags may include articles of merchandise exclusively related to the enclosed printed matter as specified in the *International Mail Manual* (outbound) or the Universal Postal Convention (UPU) (inbound). Airmail M-Bags are not sealed against inspection. See MCS § 2330.1.

⁷² See Library Reference PRC-LR-ACR2025-NP2, Excel file "PRC-LR-ACR2025-NP2 UNIFIED ICRA.xlsx," tab "ACR2025 Intl Products;" Docket No. ACR2024, Library Reference PRC-LR-ACR2024-NP2, March 28, 2025, Excel file "PRC-LR-ACR2024-NP2 UNIFIED ICRA.xlsx," tab "ACR2024 Intl Products."

The Postal Service states that “[i]n FY 2025, in comparison to FY 2024, there was an increase in costs, with a decrease in volume and revenue associated with [M-Bags].” FY 2025 ACR at 13. The Postal Service explains that “[t]he primary source of increased costs was mail processing costs for outbound M-bags which was likely caused by sampling variability of a small volume product.” *Id.* The Postal Service further notes that “in Order No. 9405 in Docket No. CP2026-2, the Commission favorably reviewed a substantial increase for [M-Bags].” *Id.*

The Acts of the 4th Extraordinary Congress (Riyadh 2023) of the UPU made M-Bags an optional service rather than a mandatory service, effective January 1, 2025.⁷³ Many countries are no longer offering it as a product.⁷⁴ The Postal Service provides its future plan for M-bags under seal. *See* January 16 Response to CHIR No. 1, question 15.

M-Bags has generally covered its attributable cost in prior years.⁷⁵ However, the increases in mail processing cost, exacerbated by the sampling variability of a small volume product experiencing yearly losses in density, led to the product first being non-compensatory in FY 2024, continuing into FY 2025. The Commission’s projection in the FY 2024 ACD that M-Bags is likely to be non-compensatory in FY 2025 (although potentially mitigated with a rate increase for Outbound International Direct Sacks—Airmail M-bags) has since proven to be well-founded. *See* FY 2024 ACD at 47-48. Additionally, with many countries having eliminated M-Bags as a product offering, volumes are expected to decline further, and the price increase in 2026 will likely only exacerbate the volume decline. Therefore, the Commission suggests that the substantial increase in the price of M-Bags is unlikely to make the product compensatory in FY 2026 due to the sampling variability of a small volume product that is likely to experience further volume decline.

The Commission finds that International Direct Sacks—Airmail M-Bags was not in compliance with 39 U.S.C. § 3633(a)(2) in FY 2025. The Commission encourages the Postal Service to monitor the impact of the price increase on the volume and cost coverage of the product and make further decisions with regard to the product.

⁷³ *See* Universal Postal Convention (UPU Convention), Decisions of the 2023 Riyadh Extraordinary Congress, Berne 2024. UPU Convention at 27 (deleting M-Bags as a mandatory basic service in Article 17, paragraphs 2.4 and 3.3). UPU Convention at 28 (including M-Bags as an optional supplementary service in Article 18, paragraph 2.9). UPU Convention at 29 (stating that the effective date for changes relating to M-Bags is January 1, 2025), available at [https://www.upu.int/UPU/media/upu/files/aboutUpu/acts/08-actsAndOtherDecisionsPreviousCongresses/CNG-ACTS%e2%94%80Doc-0-\(5\).pdf](https://www.upu.int/UPU/media/upu/files/aboutUpu/acts/08-actsAndOtherDecisionsPreviousCongresses/CNG-ACTS%e2%94%80Doc-0-(5).pdf).

⁷⁴ *See* UPU, IB Circular 24, List of Designated Operators Offering the M Bag as an Optional Supplementary Service Effective From 1 January 2025 (Status at 5 February 2025), February 10, 2025.

⁷⁵ For example, M-Bags was compensatory in FY 2013 through FY 2023. *See* FY 2013 ACD at 84; FY 2014 ACD at 75; FY 2015 ACD at 84; FY 2016 ACD at 83; FY 2017 ACD at 86; FY 2018 ACD at 104; FY 2019 ACD at 77; FY 2020 ACD at 73; FY 2021 ACD at 81; FY 2022 ACD at 75; FY 2023 ACD at 63. M-bags became non-compensatory for the first time in more than a decade in FY 2024. *See* FY 2024 ACD at 47.

b. Other Issues for Competitive International Products

The Commission maintains that compliance with 39 U.S.C. § 3633(a)(2) is evaluated at the product level, not at the sub-product level. However, the Commission greatly appreciates the Postal Service's effort in monitoring non-compensatory sub-product level components that could have a potentially negative effect on the cost coverage at the product level if the sub-product level components are left unmonitored. The Postal Service discusses the following products that covered their attributable costs in FY 2025 and their respective sub-product level component that did not cover attributable costs.

(1) Outbound International Expedited Services

Outbound International Expedited Services consists of GXG and Priority Mail Express International.⁷⁶ In FY 2025, although Outbound International Expedited Services covered its attributable cost, one of its components, GXG, did not cover its attributable cost. FY 2025 ACR at 13-14. While the Postal Service suspended GXG on September 29, 2024,⁷⁷ it states that "as a result of some PC Postage meters continuing to accept [GXG] transactions after the suspension, there was a very small amount of volume of [GXG] reported in FY 2025." FY 2025 ACR at 13. The Postal Service also states that "some settlement payment delays and indemnity expenses that occurred in FY 2025 for volume sent in the prior fiscal year resulted in the [GXG] component . . . not covering its costs in FY 2025." *Id.* at 13-14.

The Commission acknowledges that GXG was provided through an alliance with a third party and the service has been suspended since September 29, 2024. January 16 Response to CHIR No. 1, question 13.a. The Commission further acknowledges the deliberate effort undertaken by the Postal Service to alert the public to the suspension.⁷⁸

Outbound International Expedited Services has covered its cost for the past decade⁷⁹ and the suspension of GXG did not disrupt this trend. In fact, cost coverage increased from FY 2024 to FY 2025.⁸⁰ The Commission will continue to monitor GXG should the Postal Service resume offering the component or eventually decide to terminate the component.

⁷⁶ MCS § 2305.1. GXG service offers a postage-refund guarantee for day-certain delivery from select Post Office locations to select foreign destinations. *Id.* Priority Mail Express International (PMEI) service offers transit times that can be longer than for GXG service. *Id.* PMEI with guaranteed service provides a postage-refund guarantee for date-certain delivery to a limited number of foreign destinations. *Id.*

⁷⁷ See January 16 Response to CHIR No. 1, question 13.a. See also United States Postal Service, IMM Revision: Changes to Global Express Guaranteed Service, Postal Bulletin 22660, October 3, 2024, available at https://about.usps.com/postal-bulletin/2024/pb22660/html/updt_002.htm.

⁷⁸ See January 16 Response to CHIR No. 1, question 13.c. See also United States Postal Service Industry Alert, Global Express Guarantee® (GXG®) Suspension – Effective September 29, 2024, September 24, 2024, available at <https://postalpro.usps.com/node/13380>.

⁷⁹ Outbound International Expedited Services was compensatory in FY 2015 through FY 2024. See FY 2015 ACD at 84; FY 2016 ACD at 83; FY 2017 ACD at 86; FY 2018 ACD at 104; FY 2019 ACD at 77; FY 2020 ACD at 73; FY 2021 ACD at 81; FY 2022 ACD at 75; FY 2023 ACD at 63; FY 2024 ACD at 46.

⁸⁰ See Library Reference PRC-LR-ACR2025-NP2, Excel file "PRC-LR-ACR2025-NP2 UNIFIED ICRA.xlsx," tab "ACR2025 Intl Mail OB&IB;" Docket No. ACR2024, Library Reference PRC-LR-ACR2024-NP2, Excel file "PRC-LR-ACR2024-NP2 UNIFIED ICRA.xlsx," tab "ACR2023 Intl Mail OB&IB."

(2) International Ancillary Services

In FY 2025 IAS covered its attributable cost. However, the Postal Service notes that one of its components, Outbound Competitive International Registered Mail, did not cover its cost in FY 2025. FY 2025 ACR at 14. The Postal Service states that “[i]n comparison to FY 2024, there was a substantial increase in costs in FY 2025, with a slight decrease in volume and revenue associated with Outbound Competitive International Registered Mail.” *Id.* The Postal Service further states that “[t]he primary source of increased costs was mail processing costs . . . which was likely caused by sampling variability of a small volume product.” *Id.*

Except in FY 2025, Outbound Competitive International Registered Mail has been compensatory since FY 2016.⁸¹ It was removed from the MCS effective January 1, 2026. Order No. 9333 at 10. The Commission will continue to monitor the IAS product and its other components in future ACDs.

The Commission observes that Inbound Competitive International Registered Mail, a major component of IAS, which singularly has been responsible for IAS being non-compensatory in the past,⁸² covered its cost in FY 2025. The Commission commends the Postal Service for its work in improving the net contribution of Inbound Competitive International Registered Mail that has contributed to making IAS compensatory.⁸³

4. Competitive International Products Consisting of NSAs

Competitive international mail also includes products with rates and fees not of general applicability that are established pursuant to one or more NSAs.

Each international NSA is a separate product, except for NPR products and umbrella products, which can include multiple functionally equivalent NSAs as included contracts. *See* 39 C.F.R. § 3041.110(i), (p). The Commission evaluates the compliance of each NPR product and each umbrella product by first evaluating whether each included contract in the product covers its costs attributable. Order No. 6953 at 51, 55.

The Postal Service reports volume, revenue, and cost data for each Competitive international NSA comprising Competitive international products with activity and separately lists Competitive international NSAs with no activity during the fiscal year. *See* Library Reference USPS-FY25-NP2. For FY 2025, the Postal Service provides data for 283

⁸¹ *See* Library Reference PRC-LR-ACR2025-NP2, Excel file "PRC-LR-ACR2025-NP2 UNIFIED ICRA.xlsx," tab "FY 2025 Underwater Products," column D.

⁸² *See, e.g.,* FY 2023 ACD at 70; FY 2022 ACD at 80; FY 2021 ACD at 86.

⁸³ Inbound Competitive International Registered Mail had a net positive contribution in FY 2025 in comparison with its negative contribution in FY 2024. *See* Library Reference USPS-FY25-NP2, December 29, 2025, folder "ICRA Core Files," Excel file "FY25.ICRA.Report.xlsx", tab "Registered Mail Summary," cell K5; Docket No. ACR2024, Library Reference USPS-FY24-NP2, December 30, 2024, folder "ICRA Core Files," Excel file "FY24.Reports.xlsx," tab "Registered Mail Summary," cell K5; FY 2024 ACD at 53.

international NSAs, 259 of which include negotiated rates for outbound mail and 24 of which include negotiated rates for inbound mail.⁸⁴

The financial results for Competitive outbound and inbound international products consisting of NSAs are discussed below.

a. Competitive Outbound International Products Consisting of NSAs

Competitive outbound international products with negotiated rates are included on the Competitive product list. Under outbound NSAs, mailers must commit to tendering specified minimum volume, revenue, or both on an annual basis in exchange for reduced rates from the Postal Service.⁸⁵ Additional postal services may be available for products with rates and fees not of general applicability.⁸⁶ Figure IV-2 shows the FY 2025 product category for each of these products.

Figure IV-2
Competitive Outbound International Products by Category, FY 2025⁸⁷



Source: Library Reference USPS-FY25-NP2.

⁸⁴ Library Reference USPS-FY25-NP2; Library Reference PRC-LR-ACR2025-NP2. The Commission counts each serial-numbered agreement included under the Global Expedited Package Services—Non-Published Rates (GEPS—NPR) products as one NSA in this summary value.

⁸⁵ The Commission has previously expressed concern that the Postal Service does not always enforce customers’ minimum volume commitments. See Order No. 5077 at 5. The Commission continues to monitor compliance with statutory requirements regardless of adherence to contractual minimum volume requirements.

⁸⁶ See, e.g., MCS § 2510.7.5 for additional services available to products included in the Global Reseller Expedited Package Contracts category.

⁸⁷ Figure IV-2 includes outbound international products by product category for which the Postal Service reports financial results, for which there is a total of 182 agreements. It also includes 77 agreements with no recorded activity.

The Postal Service reports financial results for each outbound international NSA within these products. In FY 2025, each outbound Competitive international product and each outbound Competitive NSA within these products covered its attributable cost, except for three contracts. FY 2025 ACR at 15. Of the three contracts that did not cover their attributable costs, the Postal Service notes that one has expired, the Commission recently favorably reviewed revised rates for another in Docket No. CP2024-13, and the third contract, which is an included contract within the Global Expedited Package Services–Non-Published Rates 16 (GEPS–NPR 16) product, is scheduled to expire on March 31, 2026. *Id.* Because this included contract failed to cover its costs, the Commission conducted further analysis to evaluate the compliance of the GEPS–NPR 16 product. *See* Order No. 6953 at 55–56. The Postal Service further states that it is no longer issuing contracts to be included in the GEPS–NPR 16 product. *Id.*

The Commission acknowledges that it favorably reviewed revised rates for the contract in Docket No. CP2024-13, the subject of one of the non-compensatory contracts. The Commission also acknowledges that another contract that did not cover its attributable cost in FY 2025 has now expired, and the third one is scheduled to expire on March 31, 2026.

The Commission concludes that Competitive outbound international products consisting of NSAs satisfied 39 U.S.C. § 3633(a)(2), except for three Competitive outbound international contracts that did not cover their attributable costs.⁸⁸ Of these three contracts, one has revised rates that were favorably reviewed by the Commission, one has expired, and one will expire on March 31, 2026. In addition, no additional contract is expected to be included in GEPS—NPR 16 in the future. The Commission continues to strongly encourage the Postal Service to enforce the minimum volume and/or revenue requirement in each NSA and to seriously consider the viability of certain outbound NSAs whose projected volume and cost coverage call into question whether their financial performance will be compensatory given the current volatility in cost and losses in economies of density.

b. Competitive Inbound International Products Consisting of NSAs

Competitive inbound international products with negotiated rates are included on the Competitive product list. Inbound international agreements entered into by the Postal Service and one or more foreign postal operators (FPOs) provide inbound services and prices that are available only to mailers meeting defined eligibility requirements for mail preparation, content, size, and weight limitations. Figure IV-3 shows the product category for each inbound international product.

⁸⁸ The Commission notes that although one included contract within the Global Expedited Package Services–Non-Published Rates 16 (GEPS — NPR 16) product did not cover its attributable cost, the GEPS—NPR 16 product as a whole covered its attributable cost.

Figure IV-3
Competitive Inbound International Products by Category, FY 2025⁸⁹



Source: Library Reference USPS-FY25-NP2.

The Postal Service reports financial results for each inbound Competitive NSA within these products. In FY 2025, each inbound Competitive international product and each inbound Competitive NSA within these products covered its attributable cost, except for the following three contracts.

First, although Inbound Express Mail Service (EMS) covered its attributable cost in FY 2025, the Inbound EMS agreement that is the subject of Docket No. CP2021-128 that was in effect for only the first quarter of FY 2025 did not cover its cost in FY 2025. FY 2025 ACR at 14. The Postal Service states that:

The calendar year (CY) 2024 Inbound EMS agreement, in FY 2025, experienced lower unit revenue and slightly higher unit costs as compared to the CY 2025 Inbound EMS agreement that is the subject of Docket No. CP2024-515, which resulted in the CY 2024 Inbound EMS agreement continuing to be non-compensatory for FY 2025.

Id. at 14-15.

Second, although Inbound Competitive Multi-Service Agreements with Foreign Postal Operators (MCS section 2515.10) covered its attributable cost in FY 2025, two included contracts within this product with a particular Foreign Postal Operator did not cover their costs in FY 2025. *Id.* at 15. In Docket No. K2025-825, the Postal Service provided detailed explanations under seal for its decision to extend the agreement with the Foreign Postal Operator at issue at the current rates for another year instead of letting the agreement

⁸⁹ Figure IV-3 includes inbound international products by product category for which the Postal Service reports financial results, for which there is a total of 15 agreements. For the remaining nine inbound international NSAs, the Postal Service reports no activity. The Commission noted some duplicates in the number of agreements with no activity. See Library Reference USPS-FY25-NP2.

expire at the end of 2025.⁹⁰ The Commission found that the Postal Service's statements filed under seal reasonably explained why extending the agreement at the current rates for another year would be likely to result in more financial benefits to the Postal Service than letting the agreement expire. Order No. 9413 at 6. In January 16 Response to CHIR No. 1, the Postal Service provides further updates on the status of this agreement under seal. See January 16 Response to CHIR No. 1, question 16. The Commission also directed the Postal Service to submit a report by March 30, 2026, to discuss its continued assessment of the performance of the agreement and the likelihood and status of the negotiation of new rates under the agreement. Order No. 9413 at 8.

While the Commission maintains that compliance with 39 U.S.C. § 3633(a)(2) is evaluated at the product level (in this case, Inbound EMS and Inbound Competitive Multi-Service Agreements with Foreign Postal Operators, both of which did cover costs) and not at the sub-product level, the Commission appreciates the Postal Service's effort in identifying non-compensatory sub-product level items that could potentially negatively impact the cost coverage at the product level. The Commission will continue to monitor Inbound EMS and Inbound Competitive Multi-Service Agreements with Foreign Postal Operators and their sub-product level items.

The Commission concludes that Competitive inbound international products consisting of NSAs satisfied 39 U.S.C. § 3633(a)(2). The Commission encourages the Postal Service to continue to monitor the cost coverage of sub-product level items and to take proactive actions if any of the sub-product level items could potentially negatively impact the cost coverage at the product level.

5. Continuation of Past Directives Relating to Competitive International Products

The Commission acknowledges that there are directives from past ACDs that continue to apply each year. The Commission seeks to ensure that directives remaining in effect are those that are necessary to address issues of noncompliance or collect data on potential issues, and this year engaged in a review of directives pertaining to international products. Based on this review, the Commission determines that the following directive from FY 2023 ACD pertaining to the remuneration for returned undeliverable letter post items shall no longer apply: “[t]he Commission directs the Postal Service to specify the remuneration it pays to and receives from each foreign designated operator for the return of undeliverable letter post items in its future ACRs. This information should include the formats (letters, flats, and small packets/bulky letters) to which the remuneration applies.” FY 2023 ACD at 80. The directive does not deal with a non-compliant product and issues in data collection limit its utility. All other directives relating to Competitive international products in past ACDs that apply every year shall continue to apply.

⁹⁰ See Docket No. K2025-825, Request of United States Postal Service Concerning Modification to Inbound Competitive Multi-Service Agreement with Foreign Postal Operator – FY25-3, December 15, 2025, Attachment 3.

D. Appropriate Contribution Provision: 39 U.S.C. § 3633(a)(3)

39 U.S.C. § 3633(a)(3) requires the Commission to “ensure that all competitive products collectively cover what the Commission determines to be an appropriate share of the institutional costs of the Postal Service.” 39 U.S.C. § 3633(a)(3). The appropriate share represents a minimum contribution level, functioning as a floor for all Competitive products collectively. Pursuant to the formula-based approach approved in Docket No. RM2017-1,⁹¹ the Commission determined in the FY 2023 ACD that the appropriate share for FY 2025 would be 9.6 percent. FY 2023 ACD at 83.

The Postal Service states that the total Competitive product contribution for FY 2025 was \$10.323 billion, or 23.4 percent of total institutional costs, an amount that complies with the requirements of 39 U.S.C. § 3633(a)(3). FY 2025 ACR at 15.

The Public Representative and Pitney Bowes both concur that Competitive products were in compliance with 39 U.S.C. § 3633(a)(3) for FY 2025. PR Comments at 19; Pitney Bowes Comments at 5-6.

1. FY 2025 Appropriate Share

In FY 2025, the total institutional costs of the Postal Service were \$44.143 billion. See Library Reference PRC-LR-ACR2025-1. In FY 2025, the total contribution made by Competitive products collectively to institutional costs was \$10.323 billion (approximately 23.4 percent of total institutional costs), which surpasses the formula-derived 9.6 percent requirement.⁹² Therefore, the Postal Service was compliant with 39 U.S.C. § 3633(a)(3).

The Commission finds that in FY 2025 Competitive products satisfied 39 U.S.C. § 3633(a)(3) by covering an appropriate share of the Postal Service’s institutional costs.

2. FY 2026 Appropriate Share

The formula-based approach to determining the appropriate share is recursive. Each year during the annual compliance review, the Commission determines the appropriate share for the upcoming fiscal year. Order No. 4963 at 26-27. In conducting its annual compliance review for FY 2024, which was carried out during FY 2025, the Commission applied the formula and determined that the appropriate share for FY 2026 would be 8.0 percent. FY 2024 ACD at 56.

⁹¹ See Order No. 4963 at 27. This approach was upheld by the United States Court of Appeals for the District of Columbia Circuit in 2024. See *United Parcel Serv., Inc. v. Postal Regul. Comm’n*, 96 F.4th 422 (D.C. Cir. 2024).

⁹² See Library Reference PRC-LR-ACR2025-1, Excel file “FY 25 Summary LR-1.xlsx,” tab “Total All Mail (Appendix A).”

3. FY 2027 Appropriate Share

The Commission has applied the formula to determine that the appropriate share requirement for FY 2027 under the formula-based approach will be 8.1 percent. For a step-by-step explanation of the calculation, *see* Library Reference PRC-LR-ACR2025-8.

Table IV-1
Appropriate Share Value, FY 2023–FY 2027

Appropriate Share Value	
FY 2023	10.4%
FY 2024	9.9%
FY 2025	9.6%
FY 2026	8.0%
FY 2027	8.1%

Source: Library Reference PRC-LR-ACR2025-8.

CHAPTER V. NONPOSTAL SERVICES AND INTERAGENCY AGREEMENTS

A. Introduction

Pursuant to 39 U.S.C. § 404(e), the Postal Service is permitted to offer certain legacy nonpostal services to the general public that were specifically grandfathered by the Commission following a statutorily-mandated review after the enactment of the Postal Accountability and Enhancement Act (PAEA) in 2006.⁹³ For each of these services, the Commission was directed to “designate whether the service shall be regulated . . . as a market dominant product, a competitive product, or an experimental product.”⁹⁴ The Commission refers to these services as “legacy nonpostal products.” The Postal Service is not permitted to offer any other nonpostal services to the general public. 39 U.S.C. § 404(e)(2)-(4).

However, pursuant to 39 U.S.C. §§ 411 and 3704, the Postal Service is permitted to offer property and nonpostal services to other Federal agencies. Specifically, 39 U.S.C. § 411 provides that:

Executive agencies within the meaning of section 105 of title 5 and the Government Publishing Office⁹⁵ are authorized to furnish property, both real and personal, and personal and nonpersonal services to the Postal Service, and the Postal Service is authorized to furnish property and services to them. The furnishing of property and services under this section shall be under such terms and conditions, including reimbursability within the limitations of chapter 37 [of Title 39 of the United States Code], as the Postal Service and the head of the agency concerned shall deem appropriate.

⁹³ Postal Accountability and Enhancement Act § 102, Pub. L. 109-435, 120 Stat. 3198, 3200 (2006). See Docket Nos. MC2008-1 and MC2010-24, in which the review required by the PAEA was completed.

⁹⁴ 39 U.S.C. § 404(e)(5). The nonpostal services that were included as Market Dominant products are “Alliances with the Private Sector to Defray Cost of Key Postal Functions,” and “Philatelic Sales.” The nonpostal services that were included as Competitive products are “Advertising,” “Licensing of Intellectual Property Other Than OLRP,” “Mail Service Promotion,” “Officially Licensed Retail Products (OLRP),” “Passport Photo Service,” “Photocopying Service,” “Rental, Leasing, Licensing or Other Non-Sale Disposition of Tangible Property,” “Training Facilities and Related Services,” and “USPS Electronic Postmark Service (EPM) Program.” See MCS §§ 1701-1702, 2701-2709, available at <https://www.prc.gov/mail-classification-schedule>; see also Order No. 1575 at 4. No nonpostal services were classified as experimental products. See *id.*

⁹⁵ Section 105 of Title 5 of the United States Code specifies that an “‘Executive agency’ means an Executive department, a Government corporation, and an independent establishment” of the United States Government, as those terms are defined in 5 U.S.C. chapter 1. 5 U.S.C. § 105.

Likewise, 39 U.S.C. § 3704 provides that:

The Postal Service may establish a program to provide property and nonpostal services to other Government agencies within the meaning of section 411, but only if such program provides a net contribution to the Postal Service, defined as reimbursement that covers at least 100 percent of the costs attributable for property and nonpostal services provided . . . in each year

Moreover, pursuant to 39 U.S.C. § 3703(a),

The Postal Service may establish a program to enter into agreements with an agency of any State government, local government, or tribal government to provide property or nonpostal services to the public on behalf of such agencies for non-commercial purposes, but only if [such agreements] provide enhanced value to the public . . . ; do not interfere with or detract from the value of postal services . . . ; and . . . provide a net contribution to the Postal Service, defined as reimbursement that covers at least 100 percent of the costs attributable . . . under each relevant agreement in each year, except that agreements determined to be substantially similar by the Postal Service with the concurrence of the Postal Regulatory Commission shall be reviewed based on their collective revenue and costs attributable.

There is no provision for property or nonpostal services authorized under 39 U.S.C. §§ 411, 3703, and 3704 to be regulated as products. The Commission refers to agreements with Federal, state, local, or tribal governments for the provision of property or nonpostal services as “interagency agreements (IAAs).”

The Postal Service must annually report on “costs, revenues, rates, and quality of service for each agreement or substantially similar set of agreements . . . under section 3703 or the program as a whole under section 3704, and any other nonpostal service authorized under [Chapter 37 of Title 39 of the United States Code] . . . in sufficient detail to demonstrate compliance with [Chapter 37].” 39 U.S.C. § 3705(a)(1). The annual reporting requirements under section 3705 were specifically made applicable to legacy nonpostal products via an uncodified conforming amendment in the PSRA.⁹⁶ In addition, Competitive legacy nonpostal products, because they are regulated as Competitive products, are subject to 39

⁹⁶ See Pub. L. 117-108, 136 Stat. 1127, 1144 (“All individual nonpostal services, provided directly or through licensing, that are continued pursuant to section 404(e) of Title 39, United States Code, shall be considered to be expressly authorized by Chapter 37 of such title (as added by subsection (a)(1)) and shall be subject to the requirements of section 3705, subsections (a) through (d).”).

Prior to the enactment of the PSRA, the Commission had already promulgated a regulation requiring the Postal Service to report on costs, volumes, and revenues for each legacy nonpostal service. See 39 C.F.R. § 3050.21(i). Following the enactment of the PSRA, the Commission promulgated an additional regulation pertaining to the reporting of quality of service for nonpostal services. See 39 C.F.R. § 3055.25.

U.S.C. § 3633(a)(2) and the requirement that each Competitive product must cover its attributable costs.

B. Market Dominant and Competitive Legacy Nonpostal Products

As required by 39 U.S.C. § 3705(a)(1) and 39 C.F.R. §§ 3050.21(i) and 3055.25, the Postal Service reported on costs, revenues, rates, and quality of service for all legacy nonpostal products during FY 2025.⁹⁷ In FY 2025, Market Dominant legacy nonpostal products generated \$14.774 million in revenue and incurred \$6.010 million in expenses, which resulted in a contribution of \$8.764 million.⁹⁸ This figure represents an overall cost coverage of 246 percent. Competitive legacy nonpostal products generated \$190.639 million in revenue and incurred \$53.742 million in expenses, which resulted in a contribution of \$136.798 million.⁹⁹ This figure represents an overall cost coverage of 355 percent.

In response to 39 C.F.R. § 3055.25(b), the Postal Service asserts that it is impracticable to quantitatively measure the quality of service provided with respect to these products, and instead provides qualitative analyses.¹⁰⁰

The Commission finds that the Postal Service complied with the applicable requirements of 39 U.S.C. chapter 37 during FY 2025 with respect to Market Dominant and Competitive legacy nonpostal products. In addition, Competitive legacy nonpostal products satisfied the cost coverage requirement of 39 U.S.C. § 3633(a)(2) because revenues exceeded attributable cost for each Competitive legacy nonpostal product.

⁹⁷ FY 2025 ACR at 16-17; Library Reference USPS-FY25-20, December 29, 2025, PDF file "USPS-FY25-20_Preface.pdf," at 2, 3, folder "PUBLIC FY2025 Nonpostal Quality of Service Reports;" Library Reference USPS-FY25-NP32, December 29, 2025, PDF file "PROTECTED_USPS-FY25-NP32.Preface.pdf," at 5-6, 8; folder "PROTECTED FY2025 Nonpostal Quality of Service Reports."

⁹⁸ Library Reference USPS-FY25-20, PDF file "USPS-FY25-20_Preface.pdf," at 2.

⁹⁹ Library Reference USPS-FY25-NP32, PDF file "PROTECTED_USPS-FY25-NP32.Preface.pdf," at 5-6.

¹⁰⁰ Library Reference USPS-FY25-20, PDF file "USPS-FY25-20_Preface.pdf," at 3, folder "PUBLIC FY2025 Nonpostal Quality of Service Reports," PDF files "PUBLIC Alliances with the Private Sector - FY 2025 Qualitative Analysis Final_redacted.pdf" and "PUBLIC Philatelic Sales - FY 2025 Qualitative Analysis Final.pdf;" Library Reference USPS-FY25-NP32, PDF file "PROTECTED_USPS-FY25-NP32.Preface.pdf," at 8, folder "PROTECTED FY2025 Nonpostal Quality of Service Reports," PDF files "NONPUBLIC Alliances with the Private Sector - FY 2025 Qualitative Analysis Final.pdf.pdf," "NONPUBLIC Licensing of IP Other Than OLRP - FY 2025 Qualitative Analysis Final.pdf," "NONPUBLIC Mail Service Promotion - FY 2025 Qualitative Analysis Final.pdf," "NONPUBLIC Officially Licensed Retail Products - FY 2025 Qualitative Analysis FINAL.pdf" "NONPUBLIC Passport Photo Service - FY 2025 Qualitative Analysis Final.pdf" "NONPUBLIC Photocopying Service - FY 2025 Qualitative Analysis Final.pdf," "NONPUBLIC Rental Leasing Licensing - FY 2025 Qualitative Analysis Final.pdf," and "NONPUBLIC Training Facilities and Related Services - FY 2025 Qualitative Analysis Final.pdf."

The Postal Service does, however, provide partial quantitative analyses with respect to Philatelic Sales and Officially Licensed Retail Products. See Library Reference USPS-FY25-20, folder "PUBLIC FY2025 Nonpostal Quality of Service Reports," PDF file "PUBLIC Philatelic Sales - FY 2025 Qualitative Analysis Final;" Library Reference USPS-FY24-NP32, folder "PROTECTED FY2025 Nonpostal Quality of Service Reports," PDF file "NONPUBLIC Officially Licensed Retail Products - FY 2025 Qualitative Analysis FINAL.pdf."

C. Interagency Agreements

As required by 39 U.S.C. § 3705(a)(1), 39 C.F.R. § 3055.25, and Commission Order Nos. 6659 and 9377,¹⁰¹ the Postal Service reported on costs, revenue, rates, and quality of service for IAAs that were in effect during FY 2025.¹⁰² The Postal Service states that there were no agreements with state, local, or tribal governments in effect during FY 2025. FY 2025 ACR at 17. The Postal Service provided copies of new agreements and modifications to existing agreements made with federal agencies during FY 2025,¹⁰³ and provided workbooks reflecting summary IAA information and the calculation of costs, revenue, and contribution for each category of IAA.¹⁰⁴

Pursuant to 39 C.F.R. § 3055.25(b) and (c), the Postal Service asserts that it is impracticable to quantitatively measure the quality of service provided with respect to the Federal IAA program as a whole, and instead provides a qualitative analysis.¹⁰⁵

As shown in Figure V-1, in total, there were 136 IAAs in effect in FY 2025 broken out among six categories.¹⁰⁶ The program had a total revenue of \$387 million and incurred \$143

¹⁰¹ 39 U.S.C. § 3705(b)(2) authorizes the Commission to initiate proceedings to improve the quality, accuracy, or completeness of Postal Service data filed pursuant to 39 U.S.C. § 3705. In the FY 2022 ACD, the Commission directed the Postal Service to develop a proposed methodology for calculating and attributing costs and revenue to interagency agreements. FY 2022 ACD at 102. As directed, the Postal Service filed its proposal in Docket No. RM2023-7. In Order No. 6659, the Commission conditionally approved the Postal Service's methodology, subject to 7 conditions. See Order No. 6659. The Postal Service filed a motion for partial reconsideration of Order No. 6659, which the Commission granted in part and denied in part in Order No. 9377. Docket No. RM2023-7, USPS Motion for Reconsideration and Clarification of Commission Order No. 6659, With Portions Filed Under Seal, September 15, 2023; Order No. 9377. The Commission notes that the Postal Service has appealed Order Nos. 6659 and 9377 to the United States Court of Appeals for the District of Columbia Circuit. See *Petition for Review, United States Postal Serv. v. Postal Regul. Comm'n*, No. 25-1289 (D.C. Cir. filed Dec. 26, 2025, ECF No. 2152063).

¹⁰² Library Reference USPS-FY25-20, PDF file "USPS-FY25-20_Preface.pdf," at 3, folder "FY2025 IAA Public Financial Details," Excel file "FY2025 IAA Public Financial Details.xlsx;" Library Reference USPS-FY24-NP32, PDF file "PROTECTED_USPS-FY25-NP32.Preface," at 7, Excel files "ACR 2025 IAA Summary.List.xlsx" and "FY2025 IAA NonPublic Financial Workbook Detailed.xlsx," Word file "PROTECTED FY2025 IAA Quality of Service Report.docx;" January 23 Response to CHIR No. 2, folder "PROTECTED_Questions 36, 38-42, 44-46_CHIR 02_ACR 2025_IAA Summary List," Excel file "ACR 2025 IAA Summary.List - Updated 1-23-2026.xlsx;" Response to CHIR No. 7, folder "Questions 14-16_CHIR 07_ACR 2025," Excel file "ACR 2025 IAA Summary.List - Updated 2-6-2026.xlsx."

¹⁰³ Library Reference USPS-FY25-20, folder "Copies of IAAs - Public Redacted;" Library Reference USPS-FY25-NP32, folder "PROTECTED Copies of IAAs - Non-Public;" January 23 Response to CHIR No. 2, folders "PROTECTED_Question 36_CHIR 02_ACR 2025," "PROTECTED_Question 42_CHIR 02_ACR 2025," "PROTECTED_Question 43_CHIR 02_ACR 2025," and "PROTECTED_Question 45_CHIR 02_ACR 2025."

In Order No. 6659, the Commission directed that with respect to specific IAAs, the Postal Service should justify any filings made under seal and redact only information claimed to be nonpublic. Order No. 6659 at 14. However, consistent with Commission Order Nos. 6440 and 8656, the Postal Service is allowed to file a single representative redacted public version of an agreement for the following IAA categories (provided that the Postal Service files a new representative agreement for each category each fiscal year): the "Lease Agreements" category; the "EEO Services" subcategory within the "Contracting Services" category; and the "Bolger Center/NCED" and "USPIS Training Facilities" subcategories within the "Short Term Rental/Conference and Training Center Services" category. See Order No. 6440; Order No. 8656.

¹⁰⁴ Library Reference USPS-FY25-20, folder "FY2025 IAA Public Financial Details," Excel file "FY2025 IAA Public Financial Details.xlsx;" Library Reference USPS-FY25-NP32, folder "PROTECTED USPS-FY25-NP32 Excel Files," Excel files "ACR 2025 IAA Summary.List.xlsx," and "FY2025 IAA NonPublic Financial Workbook Detailed.xlsx;" January 23 Response to CHIR No. 2, folder "PROTECTED_Questions 36, 38-42, 44-46_CHIR 02_ACR 2025_IAA Summary List," Excel file "ACR 2025 IAA Summary.List - Updated 1-23-2026.xlsx;" February 6 Response to CHIR No. 7, folder "Questions 14-16_CHIR 07_ACR 2025," Excel file "ACR 2025 IAA Summary.List - Updated 2-6-2026.xlsx."

¹⁰⁵ Library Reference USPS-FY25-NP32, PDF file "PROTECTED_USPS-FY25-NP32.Preface.pdf," at 8, Word file "PROTECTED FY2025 IAA Quality of Service Report.docx." The Postal Service does, however, provide partial quantitative analysis with respect to the "COVID Test Kit" IAA category. *Id.*

¹⁰⁶ February 6 Response to CHIR No. 7, folder "Questions 14-16_CHIR 07_ACR 2025," Excel file "ACR 2025 IAA Summary.List - Updated 2-6-2026.xlsx."

million in costs, for a contribution of \$244 million and an overall cost coverage of 271 percent.¹⁰⁷

Figure V-1
Interagency Agreements by Category in Effect During FY 2025



The record reflects that the total reimbursement the Postal Service received from other Federal agencies for services rendered pursuant to IAAs effective in FY 2025 exceeded the total estimated cost associated with providing such services, which complies with 39 U.S.C. § 3704.

The Commission finds that the Postal Service complied with the applicable requirements of 39 U.S.C. chapter 37 during FY 2025 with respect to IAAs.

The Commission notes, however, that the Postal Service initially omitted copies of several new agreements from its filing, and one of the agreements the Postal Service filed a copy of was executed prior to FY 2025.¹⁰⁸ The Commission reminds the Postal Service that copies of all new agreements (and modifications to existing agreements) must be filed as part of the Postal Service's ACR for the fiscal year in which the agreement (or modification) was executed, even if the agreement has not yet had any volume or activity associated with it.¹⁰⁹

The Commission directs the Postal Service to review all active IAAs to ensure that there are not any other active IAAs entered into during or before FY 2025 that have not yet been identified to the Commission, even if the IAA has not yet had any volume or activity associated with it. The Postal Service shall file a report on this issue in this docket within 60 days, identifying any such agreements and providing copies of them.

¹⁰⁷ Library Reference USPS-FY25-20, PDF file "USPS-FY25-20_Preface," at 3.

¹⁰⁸ See CHIR No. 2, question 43; see also Library Reference USPS-FY25-32, folder "PROTECTED_USPS-FY25-NP32," Excel file "ACR 2025 IAA Summary.List.xlsx," row 8.

¹⁰⁹ See Order No. 6659 at 14; see also, e.g., the agreement reflected at Library Reference USPS-FY25-32, folder "PROTECTED_USPS-FY25-NP32," Excel file "ACR 2025 IAA Summary.List.xlsx," row 8, for which there was no associated volume or activity prior to FY 2025.

The Commission encourages the Postal Service to continue to improve the explanation of its IAA reporting and financial materials provided as part of its ACR. In particular, a detailed explanatory summary identifying any novel file, terminology, name changes, accounting notes, and methodology (or how an existing methodology was adapted or updated to suit current circumstances) should accompany all new workbooks filed in future ACRs to help facilitate and expedite the Commission's review process by minimizing the need for additional CHIRs.

The need for additional CHIRs could also be minimized by ensuring that the Commission has up-to-date records on active IAAs. In recent years, the Commission has regularly been required to resolve discrepancies between the IAA Summary List workbook provided by the Postal Service as part of its ACR and the list of IAAs which the Commission was expecting to be filed. Much of this confusion has centered around expired, inactive, or terminated agreements, duplicative entries, and inconsistencies with the IAA Summary List workbook from the prior fiscal year. The IAA Summary List should be a comprehensive list of all IAAs that were active during the fiscal year under review. Agreements that have expired or are no longer active during the fiscal year under review should be removed from the list in order to keep it current. To reduce the incidences of these and other discrepancies in future ACR filings, the Commission finds that quarterly updates to the IAA Summary List workbook, along with specific notations of all extensions, expirations, and early terminations would be beneficial.

The Commission directs the Postal Service to begin filing a quarterly update to the IAA Summary List workbook as a periodic report within 14 days after the last day of each quarter of the fiscal year. This filing should specifically note all extensions, expirations, and early terminations that have occurred since the most recent ACR filing or quarterly update. It should also contain a separate tab identifying any agreements that have been removed from the IAA Summary List workbook since the Postal Service's most recent ACR filing or quarterly update. The Commission encourages the Postal Service to review the IAA Summary List workbook and related docket filings each quarter to identify errors and ensure the quality and accuracy of the workbook. The first quarterly update shall be for FY 2026, Quarter 3, and shall be due on July 14, 2026.

CHAPTER VI. SERVICE PERFORMANCE

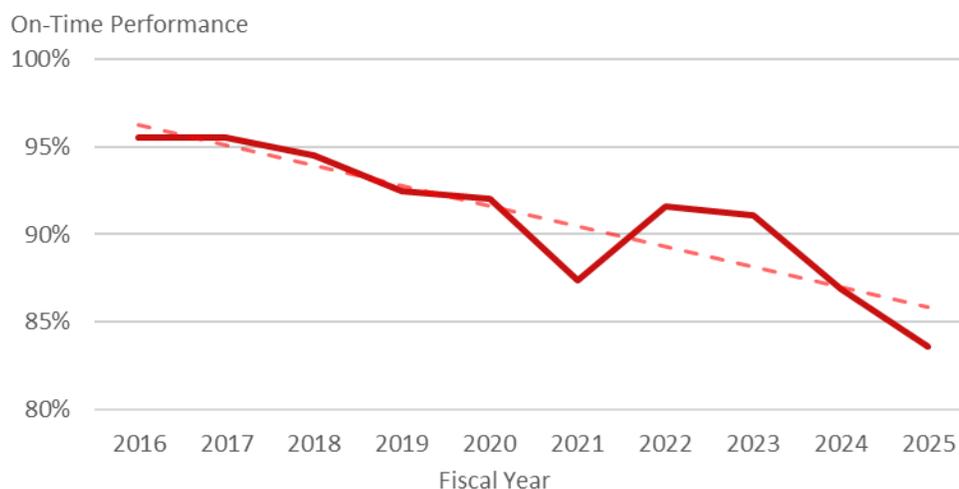
A. Service Performance Results

1. Chapter Key Findings

Each year, the Commission must “make a written determination” as to “whether any service standards in effect during such year were not met.” 39 U.S.C. § 3653(b)(2). Key findings and the corresponding Commission directives/recommendations relating to service performance include:

- *20 of the 27 Market Dominant products/categories measured failed to meet their targets in FY 2025. This occurred despite the Postal Service lowering its targets for 19 products/categories in FY 2025.*
- *Throughout the last decade, about half of products/categories measured failed to meet their targets.*
- *Over the past decade, during which the Postal Service has implemented multiple service standard revisions, on-time performance for First-Class Mail 2-Day Single-Piece Letters/Postcards has generally declined, as indicated in the chart below. This category of mail is exemplary since it is subject to the direct control of Postal Service transportation, processing, and delivery operations.*

Figure VI-1
First-Class Mail, 2-Day Single-Piece Letters/Postcards
Nationwide On-Time Service Performance, FY 2016–FY 2025



Source: FY 2018 ACD at 164; FY 2020 ACD at 161; FY 2023 ACD at 126; FY 2024 ACR at 49; FY 2025 ACR at 23.

- *The Postal Service continues to fail to meet service performance targets despite changes in service standards that have lengthened days-to-delivery for several products/categories over the past several years.*
- *Commission analysis confirms that changes to the service performance measurement system, particularly the Sunday/Holiday exclusion, produce a meaningful but uneven increase in reported service performance scores, as much as 2.1 percentage points for some products' annual on-time performance. If the Postal Service had not excluded Sundays and holidays from Quarters 3 and 4 on-time performance calculations, the only First-Class Mail categories meeting FY 2025 targets (2-Day and 3-to-5-Day Presorted Letters/Postcards) would not have achieved those targets.*
- *The Postal Service should properly and thoroughly determine the underlying reasons for this decline in service performance and in turn, when this analysis is complete, create and implement plans that will improve service performance results to achieve the applicable on-time percent target levels in FY 2026.*
- *The Commission has developed specific directives designed to increase transparency regarding service performance for non-compliant products. These directives elicit data from the Postal Service and information on the steps that the Postal Service will take to restore service performance for those products in FY 2026. These directives include continued Postal Service reporting of specific information developed from its internal metrics within 90 days of the issuance of this ACD and as part of the Postal Service's FY 2026 ACR.*

2. Market Dominant Service Performance

The Commission's analysis of service performance in FY 2025 has raised significant concerns regarding the Postal Service's continued failure to meet established service performance targets. Despite efforts to improve, the majority of Market Dominant products/categories failed to meet their targets in FY 2025, continuing a trend that has persisted for a decade. This chapter evaluates the Postal Service's compliance with the directives set for FY 2025, considers issues raised by commenters, identifies performance trends, and presents specific directives aimed at improving service performance and ensuring transparency. General comments (and reply comments, if applicable) related to overall Market Dominant service performance in FY 2025 are organized by topic, followed by an analysis of comments specific to each mail class.

a. Overview

Under 39 U.S.C. § 3692(a)(2), Congress requires the Postal Service to "provide the previous fiscal year's performance targets in its Annual Compliance Report to the Postal Regulatory Commission for evaluation of compliance for each product." To assess "whether any service standards in effect during such year were not met" pursuant to 39 U.S.C. § 3653(b)(2), the Commission compares the percentage of mailpieces that achieve the stated service standard against the targets established by the Postal Service.

Of the 27 Market Dominant products/categories measured, 20 products/categories (74 percent) failed to meet their targets in FY 2025. See Table VI-1 and Table VI-3, *infra*. This occurred despite the Postal Service lowering its targets for 19 products/categories in FY 2025. Throughout the decade, about half of products/categories have failed to meet their targets.

Table VI-1
Market Dominant Mail Service Performance Results, FY 2024–FY 2025¹¹⁰

Mail Class	Product	Delivery Speed	FY 2024		FY 2025	
			% On-Time	Targets	% On-Time	Targets
First-Class	Single-Piece Letters/Postcards	Two-Day	86.9	93.00	83.6	87.00
		Three-To-Five Day	73.2	90.28	73.3	80.00
	Presort Letters/Postcards	Overnight	93.5	95.00	93.3	94.00
		Two-Day	91.5	95.00	92.0	92.00
	Flats	Three-To-Five Day	86.8	93.00	88.0	88.00
		Overnight	78.6	95.00	73.6	80.00
		Two-Day	76.2	93.55	73.4	80.00
	Outbound Single-Piece First-Class Mail International	Three-To-Five Day	69.1	92.00	67.9	80.00
		Inbound Letter Post	72.3	91.84	67.7	80.00
	USPS Marketing Mail	High Density and Saturation Letters	Carrier Route	93.0	94.62	91.7
High Density and Saturation Letters			95.9	94.62	95.4	96.00
High Density and Saturation Flats/Parcels		Flats	90.9	94.62	90.6	92.00
		Letters	95.2	94.62	94.7	95.20
Parcels		85.1	94.62	80.1	86.00	
EDDM-Retail		98.8	94.62	97.9	98.90	
Periodicals	In-County	Outside County	81.9	94.62	83.2	83.00
		Outside County	83.3	87.29	79.1	84.00
Package Services	Media Mail/Library Mail	Bound Printed Matter Parcels	83.0	87.29	78.6	84.00
		Bound Printed Matter Flats	96.7	90.00	95.1	97.00
		Bound Printed Matter Flats	99.1	90.00	98.6	99.20
Special Services	International Ancillary Services	Ancillary Services	73.2	90.00	74.6	80.00
		Money Orders	83.6	90.0	85.2	84.0
	Post Office Box Service	99.9	90.0	99.9	99.9	
	Stamp Fulfillment Services	100.0	90.0	100.0	99.9	
	Stamp Fulfillment Services	86.0	90.0	86.0	87.0	

*Table Key: **Bold font numbers** mean met or above target. Regular font numbers mean failed to meet target

Source: Library Reference USPS-FY24-29, PDF file "FY24-29 Service Performance Report.pdf," at 5, 10, 12, 16 (FY 2024 Service Performance Report); Library Reference USPS-FY25-29, PDF file "FY25-29 Service Performance Report.pdf," at 5, 9, 14, 19, 25 (FY 2025 Service Performance Report).

¹¹⁰ Service performance results are derived from multiple measurement systems. The Internal Service Performance Measurement (SPM) System is used for domestic First-Class Mail, Periodicals, USPS Marketing Mail, and Package Services. Order No. 4697; Library Reference USPS-FY24-29, December 30, 2024. The Product Tracking and Reporting System measures service performance for parcels through scan events from USPS Marketing Mail Parcels, BPM Parcels, and Media Mail/Library Mail. FY 2024 Methodologies Report; Docket No. ACR2016, Responses of the United States Postal Service to Questions 2-4 and 7-13 of Chairman's Information Request No. 16, February 17, 2017, question 3. The IMb provides tracking data for mailpieces through Informed Visibility scans. United States Postal Service, *Domestic Mail Manual*, January 21, 2024, § 507.10.1.1.

As Table VI-1 shows, service performance for Single-Piece Letters/Postcards with a 2-Day service standard declined from 86.9 percent in FY 2024 to 83.6 percent in FY 2025, falling 3.4 percentage points below the FY 2025 performance target of 87.0 percent.

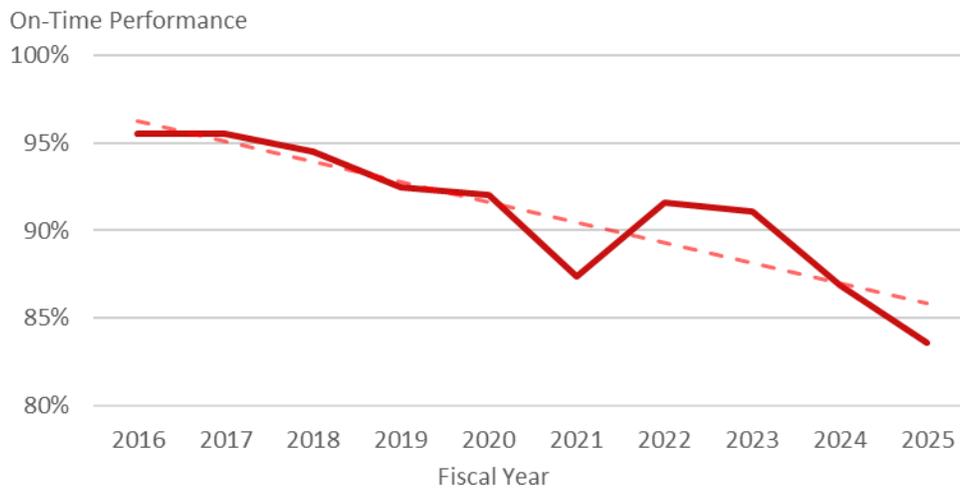
To provide longer-term context, Table VI-2 and Figure VI-1 present nationwide on-time service performance for First-Class Mail 2-Day Single-Piece Letters/Postcards for FY 2016 through FY 2025, the 10 fiscal years in which this measure has been reported. As the table and figure shows, service performance for First-Class Mail 2-Day Single-Piece Letters/Postcards has been trending down over the last decade.

Table VI-2
First-Class Mail, 2-Day Single-Piece Letters/Postcards
Nationwide On-Time Service Performance, FY 2016–FY 2025

FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
95.5%	95.5%	94.5%	92.5%	92.0%	87.4%	91.6%	91.1%	86.9%	83.6%

Source: FY 2018 ACD at 164; FY 2020 ACD at 161; FY 2023 ACD at 126; FY 2024 ACR at 49; FY 2025 ACR at 23.

Figure VI-1 (Reprinted)
First-Class Mail, 2-Day Single-Piece Letters/Postcards
Nationwide On-Time Service Performance, FY 2016–FY 2025



Source: FY 2018 ACD at 164; FY 2020 ACD at 161; FY 2023 ACD at 126; FY 2024 ACR at 49; FY 2025 ACR at 23.

Performance for the 3-to-5-Day service standard remained effectively unchanged year-over-year (73.2 to 73.3 percent) and fell 6.7 percentage points below the applicable 80.0 percent performance target.

Presorted Letters/Postcards met the FY 2025 performance targets for 2-Day service (92.0 percent) and 3-to-5-Day service (88.0 percent). However, the Overnight category's performance declined from 93.5 percent to 93.3 percent and failed to meet the applicable 94.0 percent performance target.

Likewise, First-Class Mail Flats on-time service performance declined across all categories, with all categories failing to meet their targets. Overnight performance declined from 78.6 percent to 73.6 percent, 2-Day performance declined from 76.2 percent to 73.4 percent, and 3-to-5-Day performance declined from 69.1 percent to 67.9 percent, each remaining well below the applicable 80.0 percent performance targets.

The on-time service performance for International First-Class Mail was also below target. Outbound Single-Piece First-Class Mail International performance declined from 72.3 percent in FY 2024 to 67.7 percent in FY 2025, missing the 80.0 percent performance target by 12.3 percentage points. Inbound Letter Post improved modestly from 67.0 percent to 69.9 percent but remained 10.1 percentage points below the applicable 80.0 percent performance target.

In FY 2025, the on-time service performance for USPS Marketing Mail generally declined compared to FY 2024, with most categories missing their FY 2024 targets. On-time performance for Carrier Route declined from 93.0 percent to 91.7 percent, missing the FY 2025 performance target of 94.0 percent. High Density and Saturation Letters declined from 95.9 percent to 95.4 percent and did not meet the 96.0 percent performance target. High Density and Saturation Flats and Parcels declined from 90.9 percent to 90.6 percent and did not meet the 92 percent performance target. Letters declined slightly from 95.2 percent in FY 2024 to 94.7 percent in FY 2025, missing the 95.2 percent performance target by 0.5 percentage points. Flats experienced a notable decline from 85.1 percent in FY 2024 to 80.1 percent in FY 2025, missing the 86.0 percent performance target by 5.9 percentage points. Parcels declined slightly from 98.8 percent to 97.9 percent and did not meet the 98.9 percent performance target. Every Door Direct Mail-Retail (EDDM-R), on the other hand, improved from 81.9 percent to 83.2 percent, exceeding the FY 2025 performance target of 83.0 percent.

There were similarly disappointing results for Periodicals in FY 2025, with both categories missing their targets and showing declines in service performance compared to FY 2024. In-County Periodicals decreased from 83.3 percent in FY 2024 to 79.1 percent in FY 2025, and Outside County Periodicals declined from 83.0 percent to 78.6 percent, each falling approximately five percentage points below the applicable 84.0 percent performance target.

There were mixed results for Package Services, with on-time service performance generally declining compared to FY 2024. Media Mail/Library Mail declined from 96.7 percent to 95.1 percent, missing the 97.0 percent performance target. BPM Parcels declined from 99.1 percent to 98.6 percent, missing the 99.2 percent performance target. BPM Flats improved modestly from 73.2 percent to 74.6 percent but remained 5.4 percentage points below the applicable 80.0 percent performance target.

In FY 2025, the Postal Service met the applicable service performance targets for most Market Dominant Special Services. The performance of Ancillary Services (Combined) increased from 83.6 percent in FY 2024 to 85.2 percent in FY 2025, exceeding the FY 2025 performance target of 84.0 percent. International Ancillary Services met the applicable performance target, with service performance remaining at 99.9 percent in both FY 2024 and FY 2025. Money Orders also met the FY 2025 target, with service performance of 100.0 percent in both fiscal years. Post Office Box Service did not meet the FY 2025 service performance target, its service performance remaining unchanged at 86.0 percent in FY 2024 and FY 2025, falling 1.0 percent below the applicable 87.0 percent performance target. Stamp Fulfillment Services exceeded the FY 2025 performance target, improving from 99.0 percent in FY 2024 to 100.0 percent in FY 2025.

The Commission directs the Postal Service to improve service performance results to achieve the applicable on-time service performance target level for non-compliant products in FY 2026. The Commission has specifically developed directives designed to increase transparency regarding service performance for non-compliant products. These directives are set out in Section VI.A.3., infra.

b. General Comments and Related Commission Analysis

General service performance and future improvement. The Public Representative notes that the Postal Service is conducting a variety of initiatives aimed at improving service performance, including by creating a Chief Performance Officer position as part of its executive team whose role will be to “drive performance, network, and service performance throughout the organization.” PR Comments at 26. The Public Representative expresses his “hope[] that management teams will be available in the field to solve operational problems quickly to isolate the effects from them and prevent them from spreading across the network.” *Id.*

In its reply comments, the Postal Service states that it has continued to implement its network changes in FY 2025 “to restore operational balance and achieve the goals of service excellence and financial sustainability by developing a logically designed end-to-end processing, transportation, and delivery network to make it possible to achieve long-term success in consistently meeting service performance targets in an efficient, reliable, and sustainable manner.” Postal Service Reply Comments at 21. The Postal Service acknowledges that it did not meet all of its service performance targets but asserts that service performance is improving. *Id.* at 21-22. It also commits to “maintain[ing] a sharp focus on creating more efficient, precise, and reliable mail and package processing,

transportation, and delivery operations, which will improve overall service performance.” *Id.* at 22.

The Commission appreciates the Postal Service's avowed intention to elevate service performance by improving its underlying operations. As such, the Commission reiterates its expectation that the Postal Service will renew its focus on improving service performance in both the short and long term in FY 2026.

FY 2025 service performance targets and service standards. PostCom notes that the Postal Service experienced “disappointing” service performance results after it lowered its service standards and targets in recent years and that, given its past performance, “there is no plausible reason” to think that service performance will improve. PostCom Comments at 4. PostCom also takes issue with the manner in which the Postal Service presented its service performance results and states that, if the Postal Service intends to continue to report performance based on “Score Day +1,” it should be required to provide separate targets for these results. *Id.* at 5

The Commission notes that from FY 2024 to FY 2025, 19 performance targets decreased, while only 8 increased, reflecting a decline in service expectations across a majority of categories.¹¹¹ The decreases ranged from less than 1 percentage point for USPS Marketing Mail Carrier Route to 15 percentage points for First-Class Mail Flats with an Overnight service standard, with 8 targets lowered by 10 percentage points or more. For comparison, in FY 2024, the Postal Service raised 14 targets and lowered only 1.

The Postal Service lowered all targets for First-Class Mail. It reduced targets for Single-Piece Letters/Postcards by 6 percentage points for the 2-Day service standard and by more than 10 percentage points for the 3-to-5-Day service standard. It also reduced targets for Presorted Letters/Postcards across Overnight, 2-Day, and 3-to-5-Day service standards, with cuts ranging from 1 to 5 percentage points. The Postal Service made even larger reductions to First-Class Mail Flats targets, lowering the Overnight service standard target by 15 percentage points and cutting the 2-Day and 3-to-5-Day targets by 13.55 and 12 percentage points, respectively. Lastly, it set the FY 2025 targets for the two International First-Class Mail categories 11.84 percentage points below the FY 2024 targets.

The Postal Service also reduced targets for all categories with flat-shaped mail. As previously mentioned, while First-Class Mail Flats received the largest target reduction, the Postal Service also lowered the targets for other categories with flat-shaped mail, such as USPS Marketing Mail Flats (lowered by 8.62 percentage points) and both Periodicals products (reduced by 3.29 percentage points each).

¹¹¹ Fiscal Year 2025 Performance Targets for Market Dominant Products, November 29, 2024, PDF file “USPS-FY25Targets-11-29-24.pdf,” at 2; Fiscal Year 2024 Performance Targets for Market Dominant Products, November 29, 2023, PDF file “USPS-FY24Targets-11-29-23.pdf,” at 2; Fiscal Year 2023 Performance Targets for Market Dominant Products, November 29, 2022, PDF file “USPS-FY23Targets-11-29-22.pdf,” at 2.

Despite these reductions, the Postal Service actually achieved its targets for fewer products/categories in FY 2025 than it did in FY 2024, *see* Table VI-1, another indication that service performance is not improving despite the Postal Service's assertion. For FY 2026, the Postal Service is increasing targets for 8 products/categories, 3 of which (First-Class Mail Single-Piece Letters/Postcards, 2-Day and 3-to-5 Day and First-Class Mail Presorted Letters/Postcards, Overnight) did not meet their respective targets in FY 2025.¹¹² The target for First-Class Mail Single-Piece Letters/Postcards is increasing by 0.5 percentage points for the 2-Day category and by 1.75 percentage points for the 3-to-5-Day category. *Id.* For Presorted Letters/Postcards, targets are increasing by 0.25 percentage points for both the Overnight and 2-Day categories and by 3.0 percentage points for the 3-to-5-Day category. *Id.* The target for EDDM-R is increasing by 0.25 percentage points. *Id.* In addition, the targets for Ancillary Services and Stamp Fulfillment Services are increasing by 1.25 and 0.8 percentage points, respectively. *Id.*

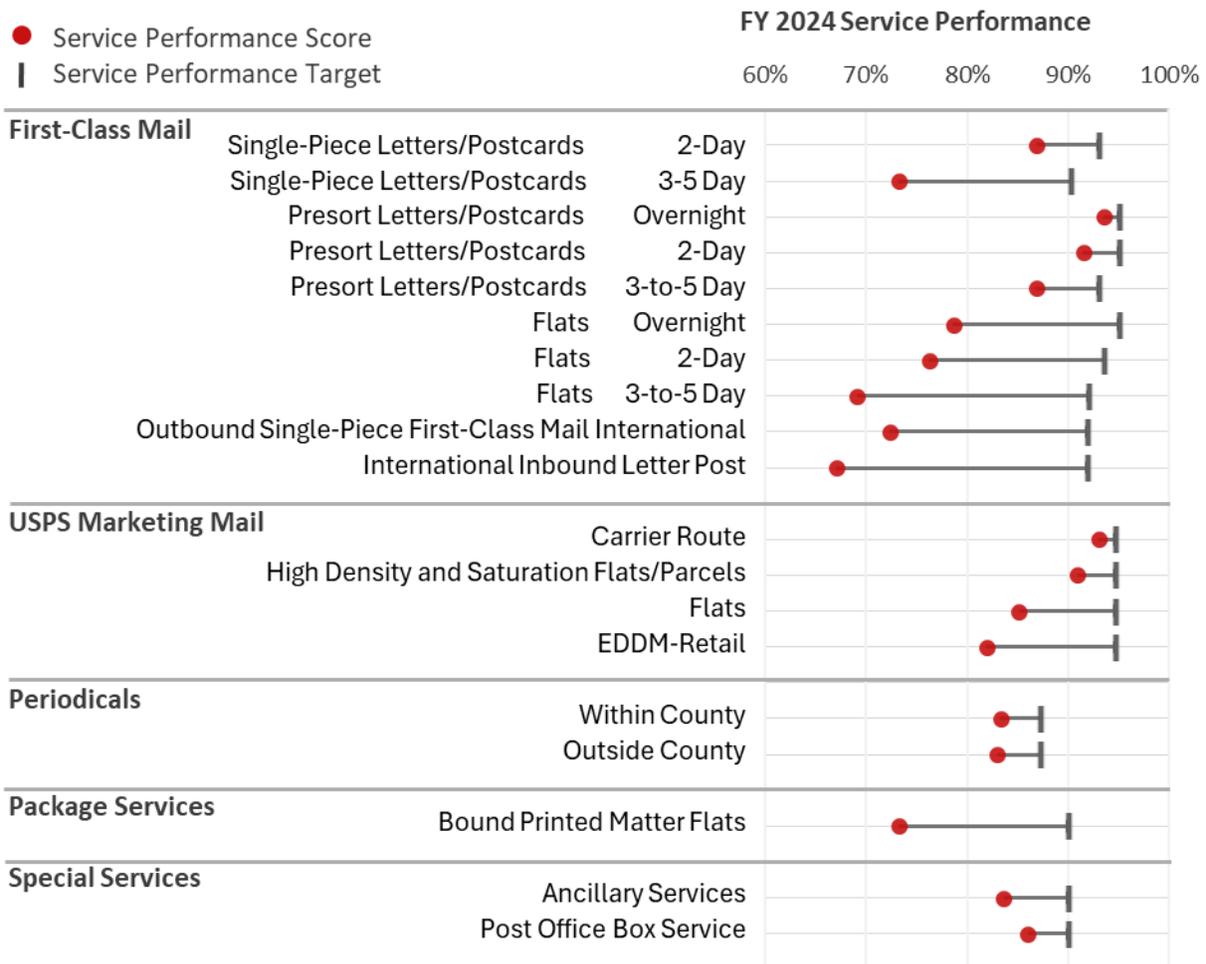
The Postal Service appears unable to identify targets that are both operationally realistic and promote continuous improvement. Additionally, the Postal Service's decision to dramatically lower service performance targets in FY 2025 appears to have been an implicit recognition that the speed of mail would deteriorate as a result of the DFA Plan, including in categories of mail products that had a slower service standard in FY 2025. The Commission recommends that the Postal Service provide greater clarity regarding the purpose and basis behind changed targets to help the Commission evaluate the reasonableness of such targets and promote public transparency.

c. Commission Directives Regarding FY 2025 Service Performance

In the FY 2024 ACD, the Commission found that the products displayed in Figure VI-2 had not met their FY 2024 service performance targets.

¹¹² Fiscal Year 2026 Performance Targets for Market Dominant Products, November 28, 2025, PDF file "PRC Re FY 2026 Targets.pdf," at 2.

**Figure VI-2
Market Dominant Products/Categories that Did Not Meet Their
FY 2024 Service Performance Targets**



Source: FY 2024 ACD at 66, 69.

The Commission directed the Postal Service to improve service performance for these categories and determined that they were out of compliance in FY 2024. FY 2024 ACD at 78-79. Therefore, the Commission issued a series of directives to monitor the progress and efficacy of the Postal Service’s service performance improvement initiatives in FY 2025. *See id.* at 79-80.

First, to assess the effectiveness of its nationwide transit and Last Mile improvement initiatives, the Commission directed the Postal Service to provide an evaluation that included a review of progress in ensuring timely departures, tendering to transit suppliers, minimizing *en-route* delays, and enhancing Last Mile education and accountability, as well as a detailed description of planned initiatives. *Id.* at 79. Second, the Commission directed the Postal Service to provide information for each of the geographic Postal Service Divisions

detailing progress in addressing root causes of delivery failures and the initiatives implemented to improve the performance of non-compliant First-Class Mail, USPS Marketing Mail, Periodicals, and Package Services products/categories. *Id.* Third, the Commission directed the Postal Service to provide CLT data, broken down geographically. *Id.* Fourth, to monitor the Postal Service's initiatives to improve on-time service performance results for Inbound Letter Post and Outbound Single-Piece First-Class Mail International, the Commission directed the Postal Service to report on the efficacy of these initiatives at each ISC and the Honolulu facility. *Id.* Fifth, the Commission directed the Postal Service to evaluate its improvement initiatives for Post Office Box Service and Ancillary Services and provide a detailed plan explaining how each product's service performance results would be increased. *Id.*

d. First-Class Mail

(1) Postal Service Report

Only two products/categories of First-Class Mail (2-Day and 3-to-5-Day Presorted Letters/Postcards) met their targets in FY 2025.¹¹³ The Postal Service states that, in order to improve the service performance of First-Class Mail, its processing sites will “continue to strive to meet their site-specific operating plans,” which “are expected to continue to stabilize service performance in each Division by providing more precision and predictability in mail processing operations.”¹¹⁴

As directed in the FY 2024 ACD, the Postal Service provided a variety of information regarding the identity and causes of on-time service performance failures, its nationwide and Division-level initiatives in FY 2025 to improve service performance and address the top root causes of failure to deliver First-Class Mail on time, and plans for further improvement in FY 2026.¹¹⁵

(2) Comments and Related Commission Analysis

Comments concerning First-Class Mail service performance are organized by topic, summarized, and responded to below.

Lowered service standards and targets. NPPC states that, even though some First-Class Mail products converged towards their service standards, these results are not comparable to previous years due to lowered targets and two changes to service standards. NPPC Comments at 6-7. Further, it notes that the Postal Service made two changes to its service performance measurement (SPM) system that are the subject of the ongoing Docket No. RM2024-9: “the non-count of certain Sundays and holidays” and the changing

¹¹³ See FY 2025 Service Performance Report at 5. Inbound Single-Piece First-Class Mail International (International Inbound Letter Post) with a 2-Day service standard met the overall target established for International Inbound Letter Post. However, the Commission evaluates compliance for International Inbound Letter Post in the aggregate; no separate target is established for the 2-Day service standard.

¹¹⁴ See Library Reference USPS-FY25-29, files “USPS-FY25-29 Preface.pdf,” at 23-24 (Library Reference USPS-FY25-29, Preface); “FY25-29 Division Reports.pdf,” at 3.

¹¹⁵ See, e.g., Library Reference USPS-FY25-29, Preface, “FY25-29 Division Reports.pdf,” “FY25 FCM Root Cause.xlsx,” and “ACR2025 EOY CLT FY25 Q3-Q4.xlsx.”

measurement of 5-Digit Zip Code pairs. *Id.* at 7. NPPC notes that it submitted information requests to better understand the impact of these changes on the service performance results and reiterates that, regardless of the Postal Service's responses, these changes "prevent[] any apples-to-apples comparison with service in prior years." *Id.* at 7-8.

The Public Representative notes that only two domestic First-Class Mail products/categories met their targets and that, had the targets not been lowered from FY 2024, "then for the second year in a row, no First-Class Mail product would have met its target." PR Comments at 26. He also notes that service performance improved in the second half of FY 2025, which is "unsurprising" given that the first half of the fiscal year contains holiday mail. *Id.* at 27. He also states that service performance for many categories of flat-shaped products improved drastically as the year went on and compared with the same period in FY 2024, suggesting that "lessons learned from this apparent success" should be analyzed for potential use on other products. *Id.* at 29. In terms of International First-Class Mail products/categories, the Public Representative notes that more categories met their targets in FY 2025 than in FY 2024 but explains "once again that those targets were significantly reduced."¹¹⁶

As NPPC points out, beginning in Quarter 3, the Postal Service was permitted to exclude Sundays and holidays from on-time performance calculations across classes. However, the Commission expressed concern that these changes could render comparability over time more difficult to interpret for the public and the Commission. *See* Order No. 8761 at 22. Thus, the Commission directed the Postal Service to report results both with and without the exclusion. *See id.* at 22-23. As Commission analysis confirms, overall, the Sunday/Holiday exclusion produces a meaningful but uneven increase in reported service performance scores.

The FY 2025 Quarter 3 performance scores show that excluding Sundays/holidays increased measured performance by up to 4.2 percentage points, with most categories increasing between 0.1 and 1.9 percentage points. The largest impacts on reported Quarter 3 performance scores were in First-Class Mail, Single-Piece Letters/Postcards, 2-Day (1.9 percentage points), First-Class Mail, Single-Piece Letters/Postcards, 3-to-5 Day (4.2 percentage points), First-Class Mail, Flats, 3-to-5 Day (1.9 percentage points), BPM Flats (2.1 percentage points), and for Inbound Single-Piece First-Class Mail International (2.0 percentage points).

In Quarter 4, the impact is similar but slightly larger overall, ranging from 0.0 to about 5.2 percentage points. The resulting impacts on the FY 2025 annual on-time performance scores range from 0.0 to 2.1 percentage points. If the Postal Service had not excluded Sundays and holidays from Quarters 3 and 4 on-time performance calculations, the only First-Class Mail categories meeting FY 2025 targets (2-Day and 3-to-5-Day Presorted Letters/Postcards) would not have achieved those targets.

¹¹⁶ *Id.* at 30. The Public Representative is presumably referring to the 2-Day service standard for Inbound Single-Piece First-Class Mail International (International Inbound Letter Post); however, as noted previously, no separate target is established for the 2-Day service standard.

The impacts in Quarter 3 and 4 are further presented, both in writing and graphically, in Section VI.B.4., *infra*, titled Service Performance Trends.

Single-Piece First-Class Mail. GCA notes that, as part of its responsibilities, the Commission must balance maintaining high-quality service standards with a just and reasonable schedule of rates. GCA Comments at 1. With this in mind, GCA contends that “[s]upplying a worse product at the same (or even a higher) price amounts to a ‘hidden’ price increase” and that, given the decreased service performance of Single-Piece Letters/Postcards, the Postal Service is “overpricing.” *Id.* at 1-3. GCA asserts that a simple approach to rectifying this issue “would be to make the reduction in price, expressed as a percentage, equal to the percentage degradation in service by comparison with the service standard.” *Id.* at 3.

NPPC notes that Single-Piece First-Class Mail, including Business Reply and remittance mail, continues to experience poor service well below the Postal Service’s own targets. NPPC Comments at 8.

*The Postal Service decided to implement longer service standards along with lower service performance targets for First-Class Mail in FY 2025. Nonetheless, most First-Class Mail products did not meet the Postal Service’s more modest targets for FY 2025. Noting that for FY 2026, the Postal Service has raised its targets for all Single-Piece Letters/Postcards and Presorted Letters/Postcards categories and has not decreased any FY 2026 First-Class Mail targets, the Commission reiterates its expectation that the Postal Service intends to renew its focus on improving First-Class Mail service performance for FY 2026. The Commission has taken the public comments into account in formulating its directives, which aim to elicit information and data regarding the efficacy of the Postal Service’s service performance initiatives and the steps that the Postal Service will take to improve service performance for its First-Class Mail products, as detailed in Section VI.A.3., *infra*. Additionally, the Commission directs the Postal Service to develop and implement mitigation strategies to address the service performance delays resulting from DFA Plan implementation and report to the Commission about these strategies in the FY 2026 ACR.*

e. USPS Marketing Mail

(1) Postal Service Report

The Postal Service notes that the service performance scores for several USPS Marketing Mail products increased from the beginning to the end of FY 2025 and that EDDM-R exceeded its target. FY 2025 Service Performance Report at 11. As directed in the FY 2024 ACD, for USPS Marketing Mail products that failed to achieve their on-time service performance targets in FY 2025, the Postal Service provided explanations of its progress at improving service performance. *See id.* at 11-14.

(2) Comments and Related Commission Analysis

The Public Representative states that, “to its credit,” for several of the USPS Marketing Mail products, the Postal Service raised their targets from FY 2024 to FY 2025 and that they would have met their FY 2024 targets had they remained the same. PR Comments at 31.

While noting that the Postal Service lowered its target for EDDM-R by more than 11 percentage points, he explains that its performance nevertheless increased from FY 2024. *Id.*

The Commission has taken these comments into account in formulating its directives, which aim to elicit information and data regarding the efficacy of the Postal Service's service performance initiatives and the steps that the Postal Service will take to improve service performance for its USPS Marketing Mail products, as detailed in Section VI.A.3., infra.

f. Periodicals

(1) Postal Service Report

The Postal Service explains that neither Periodicals product met its service performance target in FY 2025. FY 2025 Service Performance Report at 16. As directed in the FY 2024 ACD, the Postal Service provided evaluations of the efficacy of its FY 2025 initiatives to improve service performance for both Periodicals products, as well as its plans to further remedy service performance for those products in FY 2026. *Id.* at 16-18.

(2) Comments and Related Commission Analysis

The Public Representative notes a significant decrease in service performance for Periodicals since FY 2023. PR Comments at 34. N/MA also notes that the service performance for Periodicals products failed to meet their targets and FY 2025 performance decreased from the level observed in FY 2024. N/MA Comments at 4. It also explains that the actual service received by users was likely even worse “because the FY 2025 scores appear to derive from the changes to the service performance measurement system which would not have counted certain Sundays and holidays for most of the second half of FY 2025 caused by changes driven by the [RTO] initiative.” *Id.* As such, it concludes that service performance for Periodicals requires significant improvement. *Id.*

The Postal Service decided to implement longer service standards along with lower service performance targets for Periodicals in FY 2025. Nonetheless, both Periodicals products failed to meet the Postal Service's more modest goals for FY 2025. Noting that for FY 2026, the Postal Service has not decreased Periodicals targets, the Commission reiterates its expectation that the Postal Service intends to renew its focus on improving Periodicals service performance for FY 2026. The Commission has taken the public comments into account in formulating its directives, which aim to elicit information and data regarding the efficacy of the Postal Service's service performance initiatives and the steps that the Postal Service will take to improve service performance for Periodicals, as detailed in Section VI.A.3., infra. The Commission will closely monitor the Postal Service's efforts to address these issues.

g. Special Services

(1) Postal Service Report

The Postal Service reports that none of the Package Services products met their service performance targets in FY 2025. FY 2025 Service Performance Report at 19. As directed in the FY 2024 ACD, the Postal Service provided evaluations of the efficacy of its FY 2025

initiatives to improve service performance for Package Services products, as well as its plans to further remedy service performance for those products in FY 2026. *See id.* at 21-23.

(2) Comments and Related Commission Analysis

The Public Representative states that BPM Parcels and Media Mail and Library Mail both “demonstrated strong service performance results in FY 2025” and only failed to meet their targets because they were raised since FY 2024. PR Comments at 35.

The Commission has taken the public comments into account in formulating its directives, which aim to elicit information and data regarding the efficacy of the Postal Service’s service performance initiatives and the steps that the Postal Service will take to improve service performance for Package Services, as detailed in Section VI.A.3., infra. The Commission will continue to monitor the Postal Service’s efforts to address Package Services products’ failure to meet their targets.

h. Special Services

(1) Postal Service Report

The Postal Service notes that Ancillary Services met its on-time service performance target in FY 2025 while service performance “held steady” for Post Office Box Service from FY 2024 to FY 2025. FY 2025 Service Performance Report at 25; Library Reference USPS-FY25-29, Preface at 25. As directed in the FY 2024 ACD, the Postal Service provided evaluations of the efficacy of its FY 2025 initiatives to improve service performance for Post Office Box Service and Ancillary Services, as well as its plans to further improve service performance for those products in FY 2026. *Id.*

(2) Comments and Related Commission Analysis

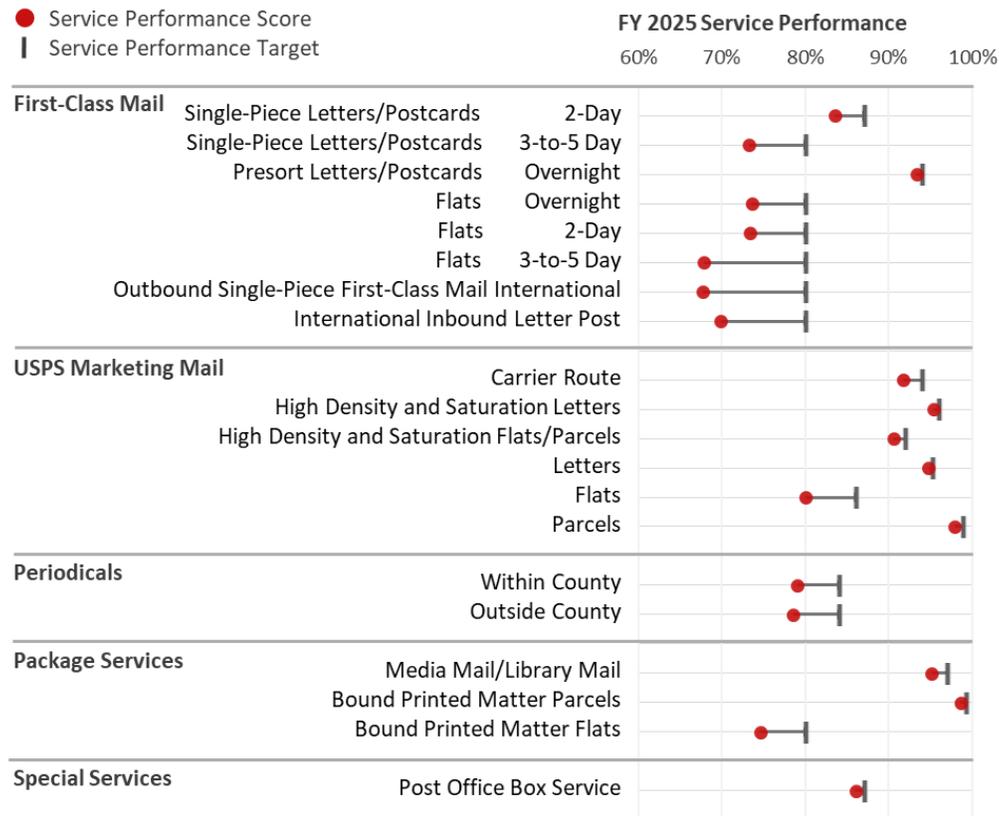
No comments specific to Special Services were filed.

3. Commission Findings and FY 2026 Directives

The Commission finds that these products/categories were out of compliance in FY 2025 and directs the Postal Service to achieve applicable on-time targets in FY 2026. The Postal Service shall thoroughly analyze the underlying causes of these failures and implement corrective plans to meet those targets in FY 2026.

The products/categories displayed in Figure VI-3 did not meet their targets in FY 2025.

**Figure VI-3
Market Dominant Products/Categories that Did Not Meet Their
FY 2025 Service Performance Targets**



Source: FY 2025 Service Performance Report at 5, 9, 14, 19, 25.

First, the Commission directs the Postal Service to assess the effectiveness of the various aspects of the network – Network Entry/Acceptance, Transportation, Processing, and Delivery. The evaluation should determine which measures are in place to determine success or failure at each critical point within the network. In turn, it should also determine how these critical points are impacting overall service performance. The Postal Service is required to describe its findings, outline specific actions to be taken to correct these issues identified in these findings, a timeline for implementing these corrective actions and a Key Performance Indicator (KPI) that will be utilized for each initiative. Additionally, the evaluation should include quantitative comparisons with previous fiscal years (e.g., compare FY 2026 Quarter 1 to FY 2025 Quarter 1).

Second, the Commission directs the Postal Service to provide information for each of the geographic Postal Service Divisions detailing progress in addressing root causes failures and the initiatives implemented to improve the performance of non-compliant First-Class Mail, USPS Marketing Mail, Periodicals, and Package Services products/categories. For each Division, the Postal Service shall provide a detailed plan to improve on-time service performance results for each class of mail that describes each planned initiative, the problem that the planned initiative is expected to remediate, the estimated timeframe for implementation and completion of each planned initiative, and the KPI(s) used to measure and evaluate progress toward completion. These reports should include quantitative data comparisons to previous fiscal years, (e.g., Quarter 1 FY 2026 vs. Quarter 1 FY 2025), with qualitative support where possible. The reports are due within 90 days of the issuance of this ACD and must be updated at the time of the FY 2026 ACR.

Third, the Commission directs the Postal Service to provide CLT data for FY 2026, broken down by the nation, each area, and district, on a quarterly and annualized basis. In conjunction with this CLT data, the Postal Service shall also provide Plan Failure volumes for Outgoing Processing Operations, reported in aggregate, and within each mail class by shape. These data should be submitted within 90 days of the issuance of this ACD (by June 26, 2026) for FY 2026 Quarter 1, Quarter 2, and “mid-year.”¹¹⁷ Data shall be provided for FY 2026 Quarter 3 and Quarter 4, and annualized for the fiscal year in the FY 2026 ACR (by December 30, 2026).

Fourth, to monitor the Postal Service’s initiatives to improve on-time service performance results for Inbound Letter Post and Outbound Single-Piece First-Class Mail International, the Commission directs the Postal Service to evaluate the efficacy of these initiatives at each ISC and the Honolulu facility. Reports should detail the progress made in implementing these initiatives, the plans for further improvements, data illustrating volume processed, and comparisons to the previous year (e.g., compare FY 2026 Quarter 1 to FY 2025 Quarter 1). These reports should include quantitative analysis, KPIs, and qualitative support where possible. The report for each facility shall be filed within 90 days of the issuance of this ACD. An updated report from each facility shall be filed at the time of the FY 2026 ACR.

Fifth, the Commission directs the Postal Service to provide the following information in the FY 2026 ACR for Post Office Box Service: (1) an evaluation of the efficacy of the Postal Service’s FY 2026 initiatives (including the status of initiatives identified in previous dockets) to improve service performance for each product; and (2) a detailed plan explaining how each product’s results will be improved.

Lastly, each report shall identify a responsible Postal Service representative, with knowledge of the matters discussed, who will be available to provide prompt responses to requests for clarification from the Commission.

¹¹⁷ Mid-year refers to the aggregation of the data for Quarters 1 and 2 of the fiscal year.

4. Service Performance Trends

Figure VI-4 displays the nationwide on-time service performance for First-Class Mail Single-Piece Letters/Postcards by service standard in FY 2024 and FY 2025, shown in stacked panels to facilitate comparison between the two fiscal years.

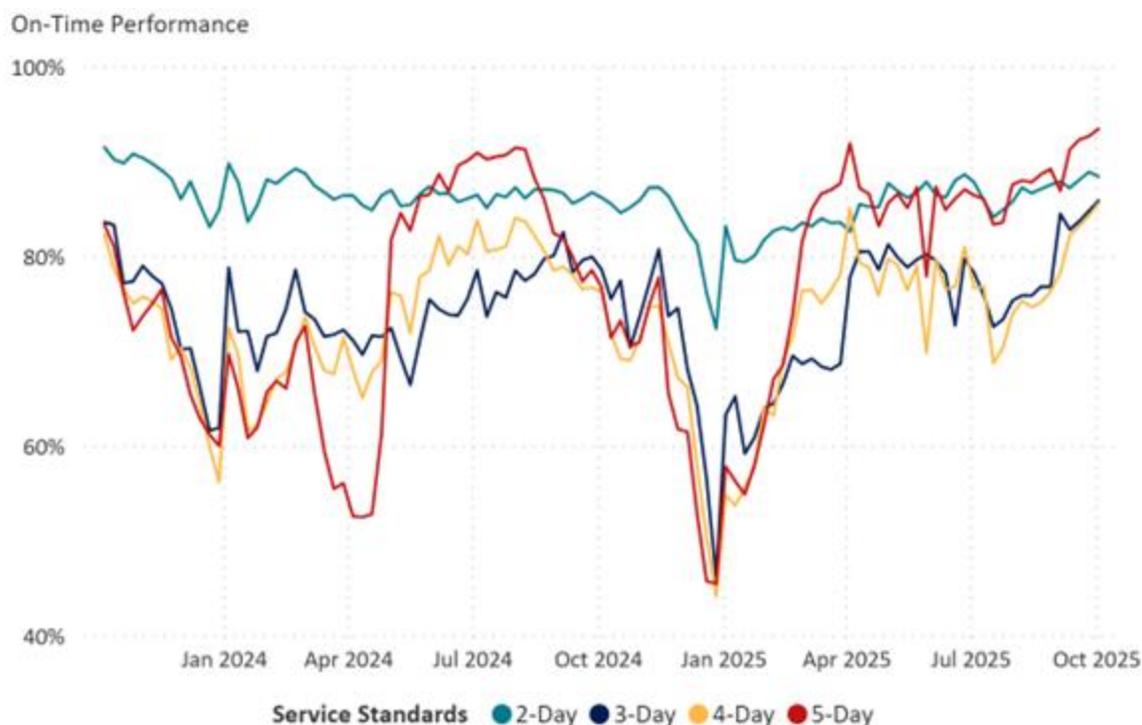
Figure VI-4
First-Class Mail, Single-Piece Letters/Postcards
Nationwide On-Time Service Performance, FY 2024–FY 2025,
Shown Separately by Service Standard



Source: February 6 Response to CHIR No. 7, question 1.a.-l., Excel file "ACR_ChIR 7_Q1," tab "First-Class Mail SPFC."

Figure VI-5 displays the nationwide on-time service performance for First-Class Mail Single-Piece Letters/Postcards by service standard in FY 2024 and FY 2025, shown as four trend lines that span both fiscal years. As the figure shows, service performance was generally volatile, with variation across service standards, with 2-Day Single-Piece Letters/Postcards exhibiting the least volatility and 5-Day Single-Piece Letters/Postcards exhibiting the most volatility.

Figure VI-5
First-Class Mail, Single-Piece Letters/Postcards
Nationwide On-Time Service Performance by Service Standard, FY 2024–FY 2025



Source: February 6 Response to CHIR No. 7, question 1.a.-l., Excel file "ACR_CHIR 7_Q1," tab "First-Class Mail SPFC."

In FY 2025, for Single-Piece Letters/Postcards with a 2-Day service standard, delivery performance was lower on average compared to FY 2024. The performance was noticeably lower in the first half of FY 2025. In the second half of the year, when service measurement procedures regarding Sunday/Holiday and Regional Transportation Operations (RTO) were implemented, service performance returned to FY 2024 levels.

In contrast, Single-Piece Letters/Postcards service performance for the 3-Day and 4-Day delivery standards fluctuated throughout FY 2025 relative to FY 2024, with results sometimes above and sometimes below the prior year's results. Both 3-Day and 4-Day Single-Piece Letters/Postcards were below FY 2024 performance in the first half of FY 2025, significantly above FY 2024 in the middle of FY 2025, and again below FY 2024 performance late in FY 2025. However, compared to the 3-Day category, 4-Day Single-Piece Letters/Postcards exhibits somewhat greater week to week variability, in part because the 4-Day category is more sensitive to transportation disruptions.

For Single-Piece Letters/Postcards with a 5-Day service standard, service performance in FY 2025 exhibited fluctuations and higher overall performance compared to FY 2024. In the first half of FY 2025, performance scores alternated between being above and below FY 2024 scores, with no consistent pattern. In the second half of FY 2025, service performance

showed both significant improvement and greater consistency compared to FY 2024. This was especially true in the middle portion of FY 2025. In FY 2024, performance was exceptionally poor, which was not the case in FY 2025. Nonetheless, the 5-Day category exhibited the greatest volatility, with transportation disruptions playing a substantial role.

To compare different types of local First-Class Mail, Figure VI-6 displays the nationwide on-time service performance for Single-Piece Letters/Postcards with a 2-Day service standard compared with Presorted Letters/Postcards with an Overnight service standard in FY 2024 and FY 2025.

Figure VI-6
First-Class Mail, 2-Day Single-Piece Letters/Postcards and
Overnight Presorted Letters/Postcards
Nationwide On-Time Service Performance, FY 2024–FY 2025



Source: February 6 Response to CHIR No. 7, question 1.a.-l., Excel file "ACR_CHIR 7_Q1," tab "First-Class Mail SPFC," and tab "First-Class Mail Presort."

As Figure VI-6 demonstrates, service performance for Presorted Letters/Postcards with an Overnight service standard, was relatively stable throughout FY 2025. Nonetheless, the on-time performance score decreased by 0.2 percentage points compared to FY 2024.

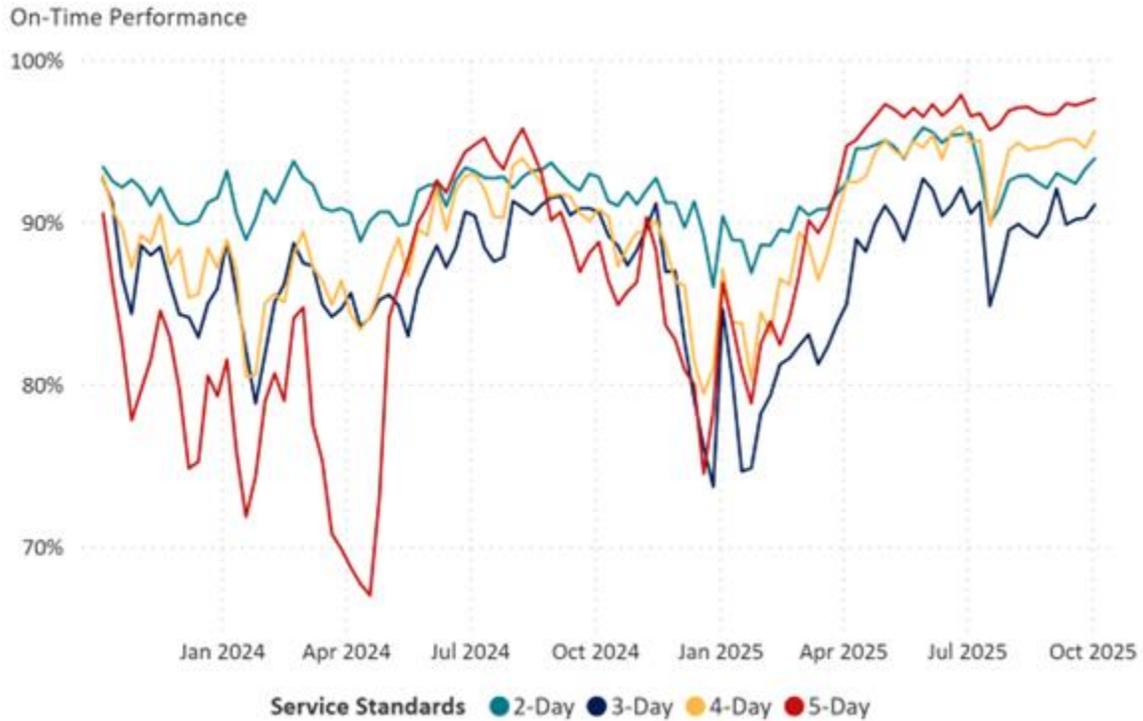
Figures VI-7 and VI-8 display the nationwide on-time service performance for Presorted Letters/Postcards by service standard (excluding Overnight) in FY 2024 and FY 2025 in two different ways to facilitate observation of patterns and trends.

Figure VI-7
First-Class Mail, Presorted Letters/Postcards (excluding Overnight)
Nationwide On-Time Service Performance, FY 2024–FY 2025,
Shown Separately by Service Standard



Source: February 6 Response to CHIR No. 7, question 1.a.-l., Excel file "ACR_ChIR 7_Q1," tab "First-Class Mail Presort."

Figure VI-8
First-Class Mail, Presorted Letters/Postcards (excluding Overnight)
Nationwide On-Time Service Performance, FY 2024–FY 2025

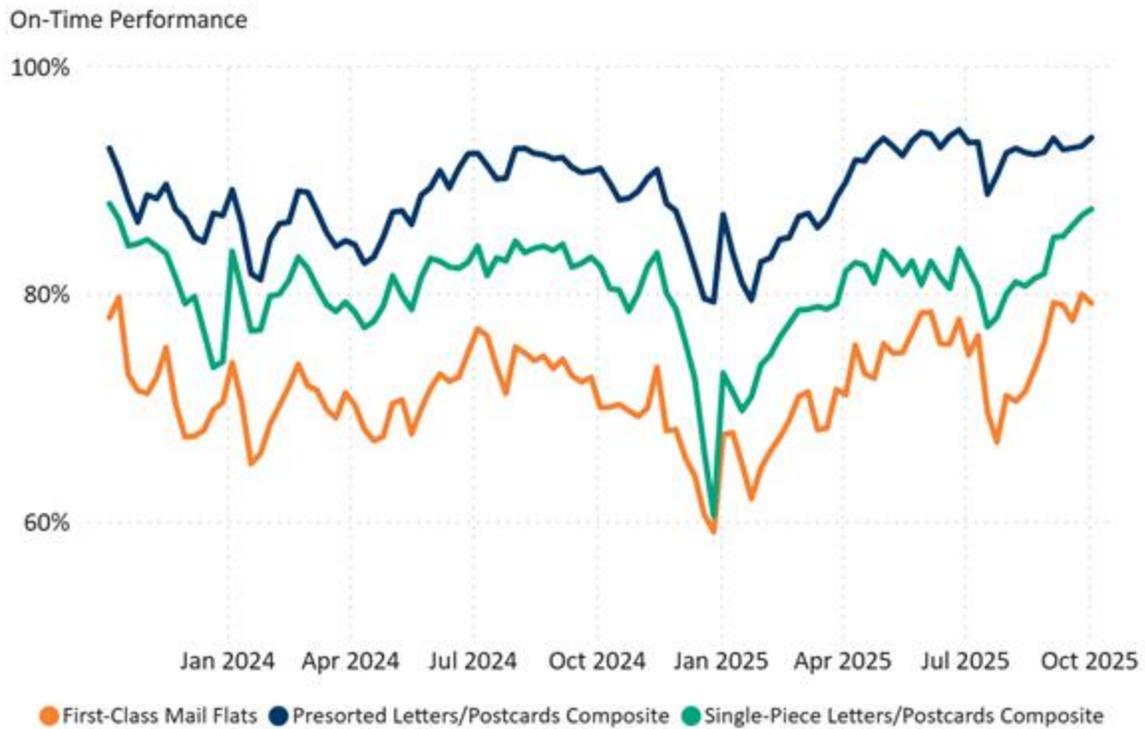


Source: February 6 Response to CHIR No. 7, question 1.a.-l., Excel file "ACR_CHIR 7_Q1," tab "First-Class Mail Presort."

Similar to FY 2024, service performance for every service standard for Presorted Letters/Postcards (except Overnight) trended downward in the first half of FY 2025 but improved in the latter half of the fiscal year. Overall, service performance scores were slightly higher than last year with the 5-Day service standard outperforming all other service standards in FY 2025.

Figure VI-9 displays the nationwide on-time service performance for Single-Piece Letters/Postcards compared with Presorted Letters/Postcards and First-Class Mail Flats in FY 2024 and FY 2025.

Figure VI-9
First-Class Mail, Single-Piece Letters/Postcards, Presorted Letters/Postcards, and Flats
Nationwide On-Time Service Performance by Service Standard, FY 2024–FY 2025

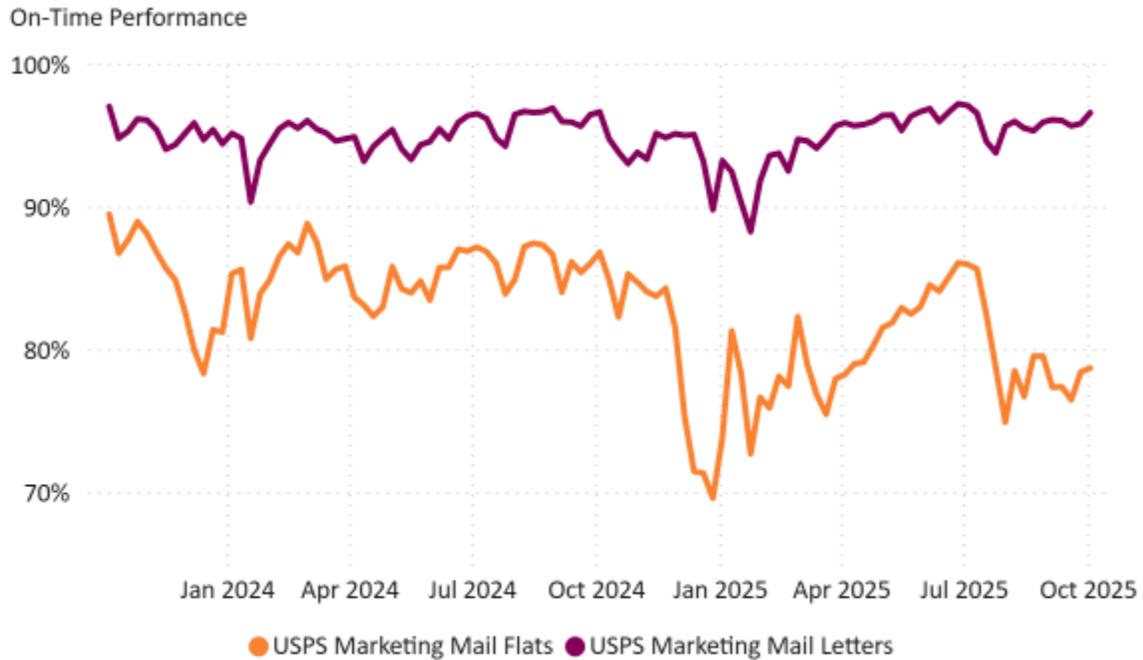


Source: February 6 Response to CHIR No. 7, question 1.a.-l., Excel file "ACR_CHIR 7_Q1," tab "First-Class Mail SPFC," tab "First-Class Mail Presort," and tab "First-Class Mail Flats."

Performance scores for First-Class Mail Flats followed the same general pattern as Single-Piece Letters/Postcards and Presorted Letters/Postcards. However, as Figure VI-9 shows, the performance scores for Flats consistently trail scores for both Single-Piece Letters/Postcards and Presorted Letters/Postcards.

The same pattern is observed when comparing categories of letter-shaped and flat-shaped USPS Marketing Mail. Figure VI-10 displays the nationwide on-time service performance for USPS Marketing Mail Letters and USPS Marketing Mail Flats in FY 2024 and FY 2025.

Figure VI-10
USPS Marketing Mail Letters and USPS Marketing Mail Flats
Nationwide On-Time Service Performance by Service Standard, FY 2024–FY 2025

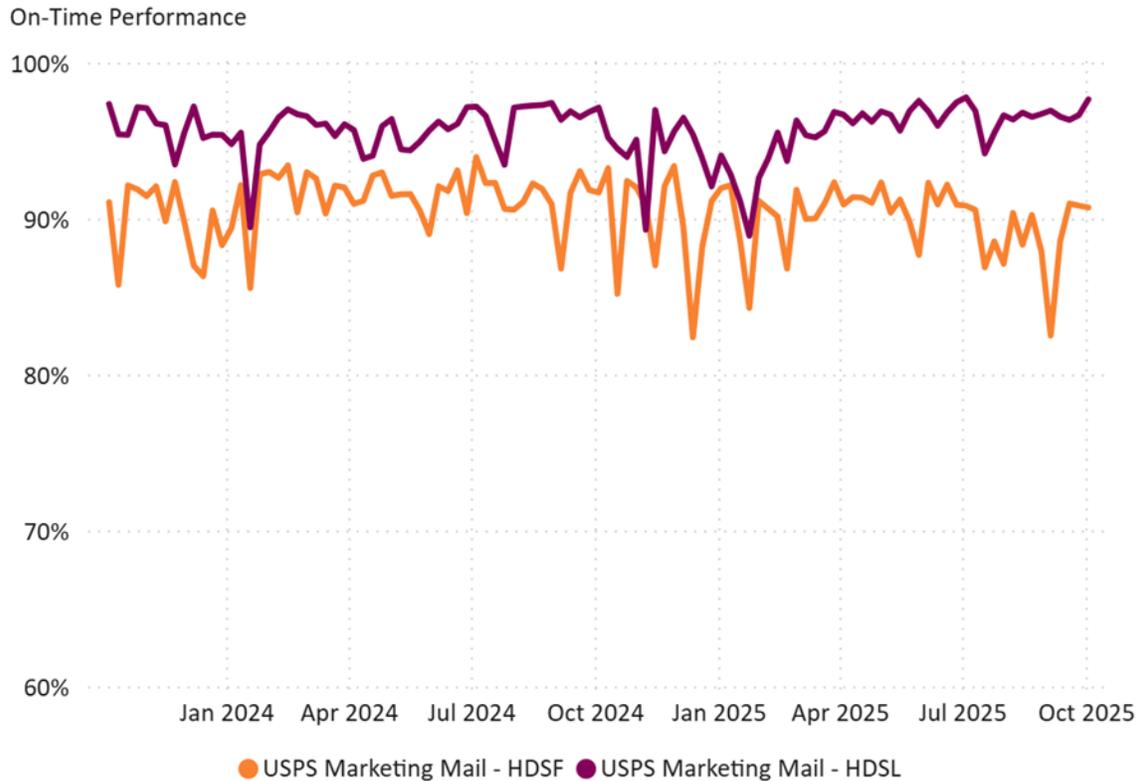


Source: February 6 Response to CHIR No. 7, question 1.a.-l., Excel file "ACR_ChIR 7_Q1," tab "MKT Letters," and tab "MKT Flats."

USPS Marketing Mail categories in general have higher performance scores compared with First-Class Mail categories due to the more permissive service standards for USPS Marketing Mail. However, the performance gap between letter-shaped and flat-shaped letter-shaped mail persists even with the more relaxed standards. In FY 2025, the on-time performance of USPS Marketing Mail Letters was 94.7 percent, 14.6 percentage points higher than that of USPS Marketing Mail Flats.

Figure VI-11 displays the nationwide on-time service performance for High Density and Saturation Letters and High Density and Saturation Flats and Parcels in FY 2024 and FY 2025.

Figure VI-11
High Density and Saturation Letters and High Density and Saturation Flats and Parcels
Nationwide On-Time Service Performance by Service Standard, FY 2024–FY 2025

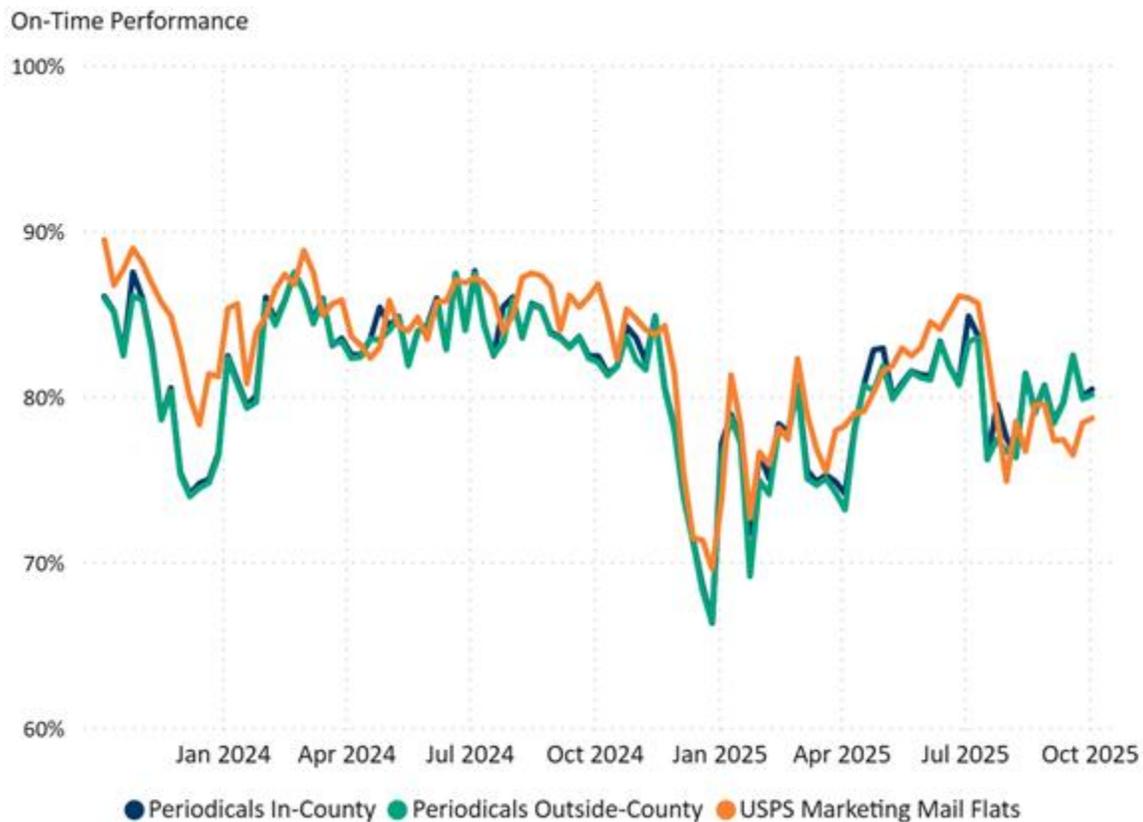


Source: February 6 Response to CHIR No. 7, question 1.a.-l., Excel file "ACR_CHIR 7_Q1," tab "MKT HDLS," and tab "MKT HDSF."

As Figure VI-11 shows, service performance for High Density and Saturation Letters also exceeds the performance of High Density and Saturation Flats and Parcels. However, service performance for both of these categories is higher than other letters and flats categories, likely because High Density and Saturation mail benefits from streamlined processing and delivery, as these items are often presorted and concentrated in specific delivery areas, reducing handling time and complexity.

Figure VI-12 displays the nationwide on-time service performance for Periodicals and USPS Marketing Mail Flats in FY 2024 and FY 2025.

Figure VI-12
Periodicals and USPS Marketing Mail Flats
Nationwide On-Time Service Performance by Service Standard, FY 2024–FY 2025

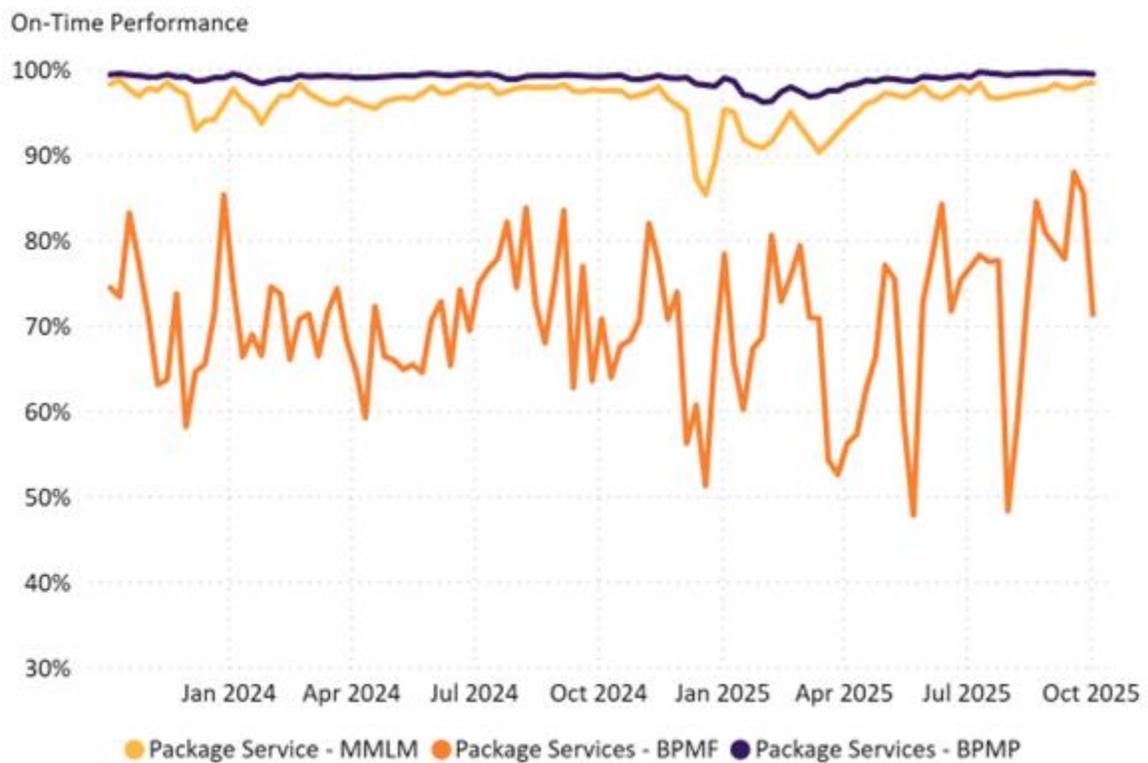


Source: February 6 Response to CHIR No. 7, question 1.a.-l., Excel file "ACR_ChIR 7_Q1," tab "MKT Flats," tab "PER IN," and tab "PER OUT."

Periodicals and USPS Marketing Mail share comparable service standards, with delivery times ranging from 3-9 days for Periodicals and 3-10 days for USPS Marketing Mail. Additionally, both products include flat-shaped pieces, which perform similarly within their respective service windows. As shown in Figure VI-12, these factors contributed to the FY 2025 annual on-time performance of 79.1 percent for In-County Periodicals, 78.6 percent for Outside County Periodicals, and 80.1 percent for USPS Marketing Mail Flats.

Figure VI-13 displays the nationwide on-time service performance for Package Services in FY 2024 and FY 2025.

Figure VI-13
Package Services
Nationwide On-Time Service Performance by Service Standard, FY 2024–FY 2025



Source: February 6 Response to CHIR No. 7, question 1.a.-l., Excel file "ACR_CHIR 7_Q1," tab "BPMF."

Lastly, parcel-shaped pieces generally outperform letter-shaped and flat-shaped pieces, likely benefiting from the Postal Service's focus on delivering high-quality service for its competitive parcel products. As Figure VI-13 shows, parcel-shaped Package Services products had a relatively strong performance in FY 2025.

B. Customer Access to Postal Services

1. Chapter Key Findings

Key findings and corresponding Commission directives and recommendations on customer access include:

- The Commission finds that customers appear to have had sufficient access to postal services in FY 2025.
- A total of 319 Post Offices suspended between FY 2017 and FY 2024 remain suspended. The Postal Service must continue filing quarterly reports on the status of Post Offices suspended between FY 2017 and FY 2024
- National average wait times in line improved in FY 2025 and were deemed acceptable by customers according to Point of Sale survey results.

2. Background

The PAEA requires the Postal Service to report in the ACR “measures of the quality of service afforded by the Postal Service in connection with [each Market Dominant] product, including . . . the degree of customer satisfaction with the service provided.” 39 U.S.C. § 3652(a)(2)(B)(ii); *see* 39 C.F.R. § 3055.90. An important aspect of customer satisfaction is measuring customer access to postal services. *See* Order No. 465 at 54. 39 U.S.C. 403(b)(3) requires the Postal Service to “establish and maintain postal facilities of such character and in such locations, that postal patrons throughout the Nation will, consistent with reasonable economies of postal operations, have ready access to essential postal services.” To help ensure the Postal Service meets these requirements, the Commission’s regulations require the Postal Service to provide information pertaining to four aspects of customer access: (1) Post Offices (including closings and emergency suspensions); (2) residential and business delivery points; (3) collection boxes; and (4) wait time in line. 39 C.F.R. § 3055.91.

The FY 2025 ACR and Library Reference USPS-FY25-33 contain customer access information responsive to the requirements of Title 39 and the Commission’s regulations.¹¹⁸ The Postal Service provided additional information in CHIR responses. January 16 Response to CHIR No. 1, questions 31-38; January 23 Response to CHIR No. 2, questions 19-21, 23-25; January 30 Response to CHIR No. 2, question 22; January 30 Response to CHIR No. 4, questions 12-14; February 6 Response to CHIR No. 7, questions 2-3; February 13 Response to CHIR No. 4, questions 8-11; February 13 Response to CHIR No. 8, question 13.

¹¹⁸ FY 2025 ACR at 55-60; Library Reference USPS-FY25-33, December 30, 2025.

3. Compliance with FY 2024 ACD Directives

The Postal Service complied with many of the Customer Access and Satisfaction directives in the FY 2024 ACD. *See* FY 2024 ACD, Appendix A, at 8-11. For example, in the FY 2025 ACR, the Postal Service reported the number of contractor-operated retail facilities using the Contract Post Unit Technology (CPUT) system and provided the required information for wait time in line and Market Dominant product satisfaction. *See* FY 2025 ACR at 44-55, 56 n.8, 56-59. It also filed the required quarterly Post Office suspension reports and reported the number of collection boxes added and removed in Library Reference USPS-FY25-33. However, there are two areas the Postal Service should address to help ensure compliance with FY 2025 ACD directives.

First, the Postal Service did not file accurate and consistent data on retail facilities and suspended Post Offices. *See* FY 2024 ACD at 95, 99. These data contained numerous errors that required several CHIRs to reconcile. *See* CHIR No. 1, questions 31-33; CHIR No. 4, questions 8-11. For example, the number of Postal Service-managed retail facilities differed between the FY 2025 Annual Report and the FY 2025 ACR, and the data in Library Reference USPS-FY25-33 were not internally consistent.

In a CHIR response, the Postal Service explains that these discrepancies "[were] caused by several data errors in the underlying platform used to generate the Post Office report, which led to inconsistent information appearing across each tab of the report." February 13 Response to CHIR No. 4, question 9.a. To correct these errors, the Postal Service filed several versions of the FY 2025 ACR and Library Reference USPS-FY25-33, which hindered public transparency and the Commission's compliance review of the FY 2025 ACR. The Commission reiterates the importance of providing accurate and consistent data among the Annual Report, ACR, and CHIR responses. Accurate information is necessary for the public, Commission, and other stakeholders to properly evaluate suspensions and conduct related data analyses. The data reliability issues require the Postal Service's attention and focus to correct. The sections below contain specific directives for filing FY 2026 data on retail facilities and suspended Post Offices.

Second, the Postal Service did not provide all of the required information regarding Post Office suspensions. *See* FY 2024 ACD at 99. In the FY 2024 ACD, the Commission directed the Postal Service to "[d]evelop a strategy or approach for resolving Post Offices suspended after FY 2017 in a timely manner with specific timebound steps for addressing offices by subset" *Id.* In the FY 2025 ACR, the Postal Service stated that it will resolve these suspensions "according to the plan explained in Docket No. ACR2023, which involves continued review for post offices eligible for discontinuance, and resolving other suspended offices appropriately." FY 2025 ACR at 61. This description did not provide sufficient detail for the Commission to evaluate whether the plan was reasonable.

Third, the Postal Service did not file the required data for Post Offices suspended at the end of FY 2025. *See* FY 2024 ACD at 99. The Postal Service subsequently filed this data in a CHIR response, but to comply next year, it should include the list of suspensions at the end of FY

2026 in the initial ACR2026 filing. Specific directives on suspended Post Offices are described below in Section VI.B.5.b., *infra*.

4. Brick and Mortar Locations

The Postal Service "establish[es] and maintain[s] postal facilities" via brick and mortar locations called retail facilities, which offer products and services such as stamps and Post Office (PO) Boxes. *See* 39 C.F.R. § 403(b)(3). Retail facilities are operated either by the Postal Service (Postal Service-operated retail facilities) or third-party contractors (contractor-operated retail facilities). *See* 39 C.F.R. § 241.3(a)(2)(i), (ii). Postal Service-operated retail facilities consist of Post Offices, classified stations and branches, and carrier annexes. Contractor-operated retail facilities consist of community Post Offices (CPOs), contract postal units (CPUs), and Village Post Offices (VPOs). The Commission explained the differences among these facilities in the FY 2023 ACD. FY 2023 ACD at 182-83.

For each fiscal year, the ACR must include data on the number of retail facilities at the beginning and end of the fiscal year, as well as the number of retail facility closings during the fiscal year. 39 C.F.R. § 3055.91(a)(1)-(3). The Postal Service filed FY 2025 data in its FY 2025 *Annual Report to Congress*, the FY 2025 ACR, and February 13 Response to CHIR No. 4, questions 8-11. Table VI-3 compares the number of retail facilities from FY 2023 through FY 2025.

Table VI-3
Number of Retail Facilities, FY 2023–FY 2025

Facility Type	FY 2023	FY 2024	FY 2025	FY 2025 Change from FY 2024	FY 2025 Change from FY 2023
Post Offices	26,257	26,207	26,147	-60	-110
Classified Stations & Branches and Carrier Annexes	4,856	4,841	4,825	-16	-31
Total Postal-Managed	31,113	31,048	30,972	-76	-141
Contract Postal Units	1,650	1,600	1,356	-244	-294
Village Post Offices	350	306	243	-63	-107
Community Post Offices	375	359	336	-23	-39
Total Non-Postal-Managed	2,375	2,265	1,935	-330	-440
Total Retail Facilities	33,488	33,313	32,907	-406	-581

Source: FY 2025 Annual Report at 31; February 13 Response to CHIR No. 4, question 11.

The total number of retail facilities in FY 2025 was 32,907, which was 406 fewer than FY 2024. Between FY 2024 and FY 2025, the number of retail facilities declined for each facility type. The largest decrease between FY 2024 and FY 2025 was in the number of CPUs, which decreased by 244, which is a 15.3 percent decrease. The Commission will continue to monitor the number of retail facilities in the FY 2026 ACR to ensure customers have continued access to postal services.

The Postal Service must continue reporting the number of contractor-operated retail facilities using the CPUT system. To promote transparency and consistency, the number of retail facilities listed the FY 2026 Annual Report, FY 2026 ACR, and Library Reference USPS-FY26-33 must be consistent with the FY 2025 Annual Report at 31, as well as the revised FY 2025 ACR and Library Reference USPS-FY25-33.¹¹⁹ If there are any discrepancies, the Postal Service must identify and reconcile them in the FY 2026 ACR.

5. Suspended Post Offices

One way the Postal Service provides postal patrons "ready access to essential postal service" is by operating Post Offices throughout the country. In some cases, the Postal Service may suspend a Post Office by stopping operations at that location because "an emergency or other condition requires such action."¹²⁰ However, suspending a Post Office could potentially deny customers access to postal services, especially if the Post Office is suspended for an extended time period. This has led to ongoing interest from the Commission, members of Congress, and other Postal Service stakeholders to improve visibility into the status of these locations.¹²¹ To help ensure the Postal Service continues to provide "ready access to essential postal services," the Commission monitors the status of suspended Post Offices, primarily via the ACR process and in public inquiry dockets as necessary. *See* Order No. 335 and Order No. 6101.

In the ACR, for each fiscal year, the Postal Service must provide information on the number of suspended Post Offices at the beginning and end of the fiscal year, as well as the number of Post Offices suspended during the fiscal year. 39 C.F.R. § 3055.91(a)(4)-(6). The Postal Service tracks data on suspensions using the Change Suspension Discontinuance Center (CSDC) system. FY 2023 ACD at 184. A Post Office suspension is resolved (removed from suspension status) when it is reopened or officially discontinued according to the Post Office discontinuance process in Handbook PO-101. Section VI.B.5.a. discusses the status of the Post Offices suspended before FY 2017, and Section VI.B.5.b. discusses Post Offices suspended after FY 2017.

¹¹⁹ See February 13 Response to CHIR No. 4, questions 8-11, folder "PUBLIC_Supporting Materials_CHIR 4_ACR 2025_2.13.2026.zip folder Question 08-11_CHIR 04_ACR 2025;" Excel file "PostOfficesFY2025 (REV.2.13.26).xlsx."

¹²⁰ United States Postal Service, *Postal Service-Operated Retail Facilities Discontinuance Guide*, Handbook PO-101 (October 2012), at 39, App'x A at 54 (Handbook PO-101). Post Office suspensions may result from: natural disasters, terminating a lease or rental agreement when suitable alternate quarters are not available, lack of qualified personnel to operate the retail facility, irreparable or severe damage to the retail facility, challenge to the sanctity of the mail, and lack of adequate measures to safeguard the retail facility or its revenues. *Id.* at 39.

¹²¹ See, e.g., Postal Suspension Transparency Act, H.R. 6811, 119th Congress, 1st Session (2025), available at <https://www.govinfo.gov/content/pkg/BILLS-119hr6811ih/pdf/BILLS-119hr6811ih.pdf>.

a. Suspended Before FY 2017

Since FY 2017, the Commission has monitored the Postal Service's progress in resolving the 663 Post Offices suspended before FY 2017 (Pre-FY 2017 Suspensions) via the ACR process and in Docket No. PI2022-1.¹²² In the FY 2024 ACD, the Commission directed the Postal Service to continue filing quarterly reports on the status of these suspensions until it resolved all of them. FY 2024 ACD at 98-99. During FY 2025, the Postal Service complied with the Commission's directive,¹²³ and in the FY 2025, Quarter 4 report, the Postal Service confirmed that it resolved all remaining Pre-FY 2017 suspensions. FY 2025, Quarter 4 Suspensions Report at 4. Docket No. PI2022-1 was closed on November 25, 2025. *See* Order No. 9370.

The Public Representative commends the Postal Service on clearing the backlog of Pre-FY 2017 suspensions. PR Comments at 41. The Commission acknowledges this milestone in clearing the backlog of suspended Post Offices, some of which had been suspended for decades. However, given that the Postal Service did not clear the backlog until FY 2025, 8 years after the Commission started monitoring the Pre-FY 2017 suspensions, the Commission will continue to monitor more recent suspensions to help facilitate their timely resolution, as detailed below in Section VI.B.5.b.

The Commission's FY 2024 ACD directive regarding Pre-FY 2017 Suspensions is satisfied, and no further reporting on these suspensions is necessary.

b. Suspended After FY 2017

The Postal Service filed FY 2025 data on the number of suspended Post Offices in Library Reference USPS-FY25-33 and updated them in CHIR responses. Table VI-4 shows Post Office suspension activity during FY 2025 by facility type. It lists the number of suspensions at the beginning and end of FY 2025, as well as the number of Post Offices suspended, reopened, and closed during FY 2025. The number of suspensions decreased by 29 in FY 2025, with a total of 432 Post Offices suspended at the end of FY 2025.

¹²² The Commission's oversight of suspensions between FY 2017 and FY 2024 is described in the FY 2024 ACD and Order No. 6101. FY 2024 ACD at 96-99; Order No. 6101 at 18-26.

¹²³ Docket Nos. PI2022-1, ACR2023, and ACR2024, Eleventh Response of the United States Postal Service to Commission Requests for Additional Information in the FY 2023 Annual Compliance Determination, May 12, 2025; Docket Nos. PI2022-1 and ACR2024, Third Response of the United States Postal Service to Commission Requests for Additional Information in the FY 2024 Annual Compliance Determination, August 11, 2025; Docket Nos. PI2022-1 and ACR2024, Fifth Response of the United States Postal Service to Commission Requests for Additional Information in the FY 2024 Annual Compliance Determination, November 10, 2025 (FY 2025, Quarter 4 Suspensions Report). The Postal Service also filed the FY 2026, Quarter 1 Post Office suspension report. Docket Nos. PI2022-1 and ACR2024, Sixth Response of the United States Postal Service to Commission Requests for Additional Information in the FY 2024 Annual Compliance Determination, February 9, 2026.

**Table VI-4
Post Office Suspension Activity During FY 2025**

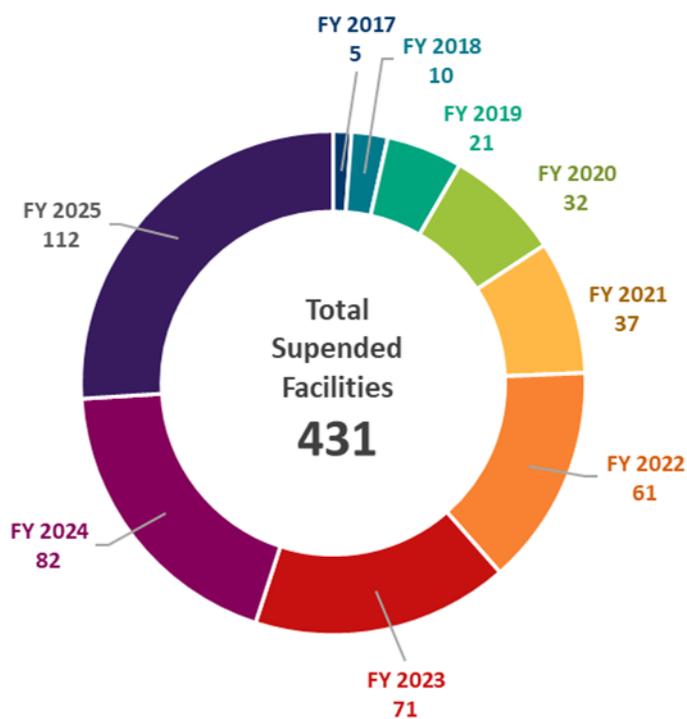
	Post Offices	Stations/ Branches	Carrier Annexes	Total
Under Suspension at the Start of FY 2025	367	93	1	461
Suspended During FY 2025	152	20	0	172
Offices Suspended Prior FYs and Reopened During FY 2025	49	11	0	60
Offices Suspended During FY 2025 and Reopened During FY 2025	56	5	0	61
Closed During FY 2025	60	16	0	76
Under Suspension at the End of FY 2025	353	79	0	432

Note: The numbers in this table reflect the most up-to-date data the Postal Service reported.

Source: February 13 Response to CHIR No. 4, question 10, folder "PUBLIC_Supporting Materials_CHIR 4_ACR 2025_2.13.2026.zip," folder "Question 08-11_CHIR 04_ACR 2025," Excel file "PostOfficesFY2025 (REV.2.13.26).xlsx" tab "Suspension Summary."

The Postal States that it plans to resolve the remaining suspended Post Offices "by focusing on the subset of Post Offices that were suspended between FY 2017 to FY 2020." January 23 Response to CHIR No. 2, question 20. It estimates resolving these suspensions by the end of FY 2026, at which point the Postal Service states it will begin resolving Post Offices that were suspended after FY 2020. *Id.* Figure V-14 shows the number of suspended Post Offices by fiscal year suspended. At the end of FY 2025, 68 Post Offices suspended between FY 2017 and FY 2020 were still under suspension, which represents approximately 16 percent of the total number of suspensions at the end of FY 2025.

Figure VI-14
Number of Suspensions by Fiscal Year



Source: February 13 Response to CHIR No. 4, question 10, folder "PUBLIC_Supporting Materials_CHIR 4_ACR 2025_2.13.2026.zip," folder "Question 08-11_CHIR 04_ACR 2025," Excel file "PostOfficesFY2025 (REV.2.13.26).xlsx" tab "FY25 EOY Suspensions (M)." This figure does not include the United Nations Station, which the Postal Service deemed outside of its control. Docket No. ACR2024, Notice of the United States Postal Service of Filing its Responses to Questions 1-3 of Chairman's Information Request No. 10, February 20, 2025, question 3.b. Because it remains suspended, the United Nations Station is included in the list of Post Offices suspended at the end of the fiscal year. *Id.*

To prevent another backlog of suspensions and hold the Postal Service accountable to its plan, the Commission finds it prudent to continue its oversight of more recent suspensions to ensure they are resolved in a timely manner. Notably, a total of 319 Post Offices suspended between FY 2017 and FY 2024 remain suspended. Thus, the Postal Service must continue filing quarterly reports on recent suspensions as directed below. These reports must also describe the Postal Service's progress in resolving Post Offices suspended between FY 2017 and FY 2020.

The Commission maintains a suspensions dashboard to enhance transparency and provide stakeholders with a clearer view of where suspensions are occurring and how long they have been suspended. It is available on the Commission's website, www.prc.gov, by selecting **Reports and Data** then **Post Office Suspensions Dashboard**.¹²⁴ The dashboard will incorporate the quarterly suspension reports after the Commission has verified the data filed.

¹²⁴ The direct link to the suspensions dashboard is <https://prc.gov/post-office-suspensions-dashboard>. Data for Post Offices suspended during FY 2025 are updated annually. Data for Post Offices suspended between FY 2017 and FY 2024 will be updated quarterly.

The Commission directs the Postal Service to file quarterly reports on the status of Post Offices suspended between FY 2017 and FY 2024. The Postal Service must file these reports in Docket No. ACR2025 within 40 days after the end of each quarter in FY 2026 and in FY 2027 for Quarters 1 and 2. Quarterly reports must continue to include a spreadsheet containing the following information for each suspension:

- a. Post Office Name*
- b. Street Address*
- c. City, State, and ZIP Code*
- d. Suspension Date*
- e. Suspension Reason*
- f. Postal Area*
- g. Postal District*
- h. Facility ID*
- i. Finance Number*
- j. Facility Type*
- k. Steps Completed in the Post Office Discontinuance Process*
- l. Next Steps in the Post Office Discontinuance Process*

Each quarterly report must reflect the most accurate data currently available. The Postal Service must continue to identify and reconcile any discrepancies or differences from prior quarterly reports in the report itself and the accompanying Excel spreadsheet by highlighting information added or changed and striking through information removed.

Also, each quarterly report must describe the Postal Service's progress in resolving Post Offices suspended between FY 2017 and FY 2020. For the Post Offices suspended during this time period, quarterly reports must:

- Provide the number of suspensions that were resolved during the quarter*
- If no progress was made during the quarter, explain why*
- Reconcile progress made each quarter, explain any deviation from the projected resolution date in the previous quarterly report, and update the projected resolution date as needed*

For each Post Office suspended between FY 2017 and FY 2020, the spreadsheet accompanying each quarterly report must:

- Include the projected resolution date (fiscal year and fiscal quarter)*
- Highlight or otherwise emphasize suspensions that have progressed to the next step in the Post Office discontinuance process*

In the FY 2026 ACR, the Postal Service must:

- *Confirm that suspension data filed in the FY 2026 ACR and Library Reference USPS-FY26-33 are consistent with FY 2026 quarterly reports, the revised FY 2025 ACR, and revised Library Reference USPS-FY25-33.¹²⁵ If there are any discrepancies, the Postal Service must identify and reconcile them in the FY 2026 ACR.*
- *Confirm that the Postal Service resolved all Post Offices that were suspended between FY 2017 and FY 2020. If not confirmed, for the Post Offices suspended during this time period, the Postal Service must:*
 - *Describe the Postal Service's progress during FY 2026 and early FY 2027 in resolving these suspensions*
 - *Identify the suspensions that were either resolved or progressed to the next step in the Post Office discontinuance process*
 - *Explain why the Postal Service was unable to resolve all of these suspensions during FY 2026 as planned*
 - *Identify any issues impeding the Postal Service's progress in resolving these suspensions*
- *Update the plan for resolving Post Offices that are currently suspended in a timely manner that include specific, timebound steps for addressing suspensions. This plan must include the actions necessary and projected resolution dates (fiscal year and fiscal quarter) for resolving:*
 - *Any remaining Post Offices suspended between FY 2017 and FY 2020; and*
 - *Any offices suspended after that*
- *For each Post Office that is suspended at the end FY 2026, the FY 2026 ACR or Library Reference USPS-FY26-33 must contain a spreadsheet that includes the same information required above for the quarterly reports*

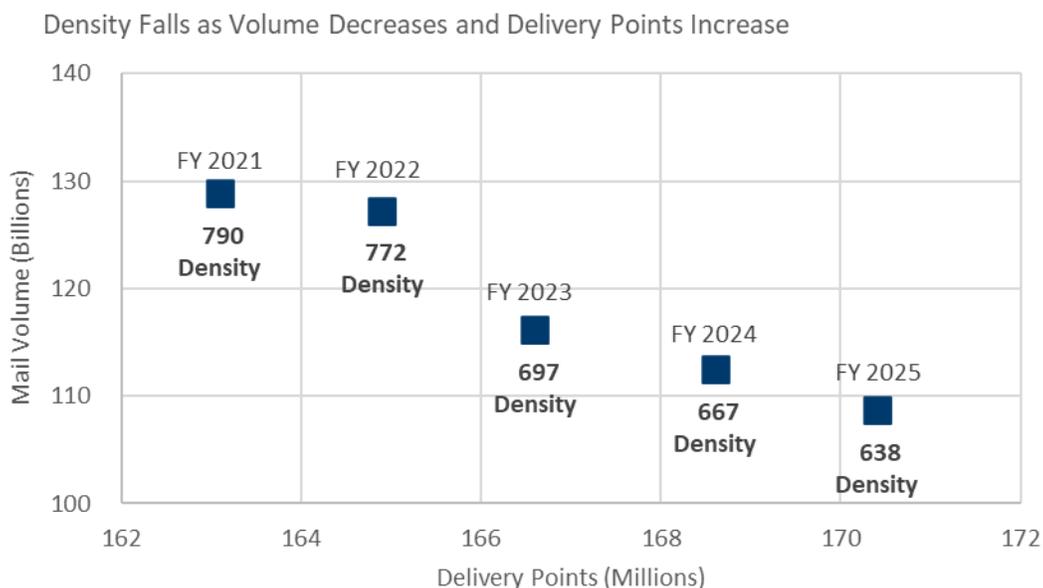
¹²⁵ See February 13 Response to CHIR No. 4, questions 9-11, folder "PUBLIC_Supporting Materials_CHIR 4_ACR 2025_2.13.2026.zip folder Question 08-11_CHIR 04_ACR 2025," Excel file "PostOfficesFY2025 (REV.2.13.26).xlsx."

6. Delivery Points

To evaluate whether the Postal Service is providing sufficient customer access to postal services, the Commission analyzes data on delivery points, which are individual addresses where customers receive mail.¹²⁶ The ACR must include the number of residential and business delivery points at the beginning and end of the fiscal year. 39 C.F.R. § 3055.91(b). The Postal Service filed this information for FY 2025 in Library Reference USPS-FY25-33 and in the FY 2025 Annual Report.¹²⁷ The total number of delivery points in FY 2025 was 170,389,351, an increase of 1,810,633 from FY 2024. FY 2025 Annual Report at 31.

While the number of delivery points measures the geographic reach of the postal network, volume per delivery point measures customer usage of the postal network. Figure VI-15 shows the annual volume per delivery point between FY 2021 and FY 2025.

Figure VI-15
Annual Volume per Delivery Point
FY 2021–FY 2025



^a Density is the Market Dominant and Competitive volumes divided by the number of delivery points.

Source: FY 2024 ACD at 100; Commission calculation is based on FY 2025 Annual Report at 31.

¹²⁶ The Postal Service defines a delivery point as: "(1) A single mailbox or other place to which mail is delivered. A street address does not necessarily represent a single delivery point because a street address such as one for an apartment building may have several delivery points. (2) A specific set of digits between 00 and 99 assigned to every address that is combined with the ZIP+4 code to provide a unique identifier for every delivery address." U.S. Postal Service, Glossary of Postal Terms, available at https://about.usps.com/publications/pub32/pub32_terms.htm.

¹²⁷ Library Reference USPS-FY25-33, folder "USPS-FY25-33.zip," Excel file "DeliveryPointsFY2025.xlsx;" FY 2025 Annual Report at 31.

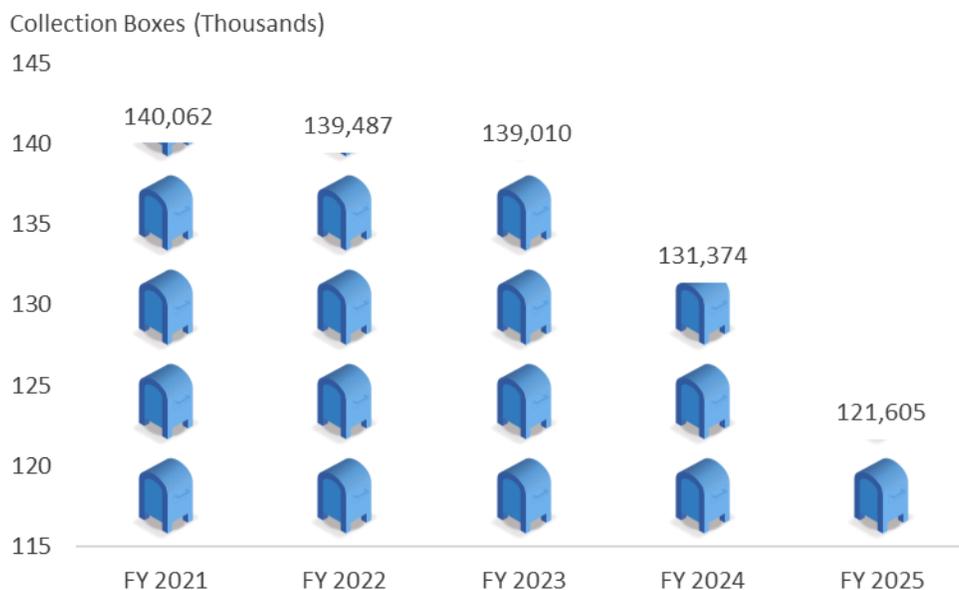
The Commission has been tracking delivery point data since the PAEA was enacted, when annual volume per delivery point was at its highest level of 1,458 mailpieces per delivery point in FY 2006. Annual volume per delivery point was 638 in FY 2025, an approximate 56 percent decrease since FY 2006.

7. Collection Boxes

Customers may obtain access to postal services via collection boxes (commonly called Blue Boxes), which are containers dedicated to collecting mail deposited by customers. The ACR must report, at the national and area levels, the number of collection boxes at the beginning and end of the fiscal year, as well as the number of collection boxes added and removed during the fiscal year. 39 C.F.R. § 3055.91(c). The Postal Service filed this information in Library Reference USPS-FY25-33.¹²⁸

Nationally, there were 121,605 collection boxes at the end of FY 2025, 9,769 fewer than in FY 2024. Figure VI-16 shows historical data on the number of collection boxes between FY 2021 and FY 2025.

Figure VI-16
Number of Collection Boxes
FY 2021–FY 2025



Source: Library Reference USPS-FY25-33, Excel file "CollectionBoxesFY2025.xlsx;" FY 2024 ACD at 101.

¹²⁸ Docket No. ACR2024, Library Reference USPS-FY24-33, December 30, 2024, Excel file "CollectionBoxesFY2025.xlsx."

The Postal Service confirmed that it will continue to follow Postal Operations Manual procedures for removing collection boxes. January 16 Response to CHIR No. 1, question 37. In FY 2026, the Postal Service states it plans to continue ongoing initiatives related to collection boxes, including the Duplicate Box Removal (removing multiple boxes at one physical location) and Priority Mail Express Box Removal (removing duplicate Priority Mail Express collection boxes in specific locations). *Id.* question 38. It explains that it also removed vandalized collection boxes consistent with the Postal Operations Manual. *Id.*

The Commission will continue to monitor the number of collection boxes in Docket No. ACR2026. The FY 2026 ACR must continue to comply with 39 C.F.R. § 3055.91(c) by reporting, at the national and area levels, the number of collection boxes at the beginning and end of FY 2026, as well as the number of collection boxes added to new locations and removed during FY 2026. If there are any discrepancies between the number of collection boxes at the beginning and end of FY 2026 and the number of collection boxes added and removed during FY 2026, the Postal Service must reconcile these discrepancies in the FY 2026 ACR.

8. Wait Time in Line

The ACR must report average customer wait time in line for retail services at the national and area levels. Wait time in line is an indicator of customer access because excessive wait times may deter customers from accessing postal services at retail facilities. The Postal Service reported FY 2025 customer wait time in line at retail facilities in Library Reference USPS-FY25-33. The national average wait time in line improved from 2 minutes 35 seconds in FY 2024 to 2 minutes 32 seconds in FY 2025. FY 2025 ACR at 56. Table VI-5 shows the national average customer wait time in line annually and by quarter for FY 2021 through FY 2025.

Table VI-5
National Average Wait Time in Line (in Minutes)
Annually and by Quarter
FY 2021–FY 2025

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Quarter 1	3:14	2:30	2:31	2:21	2:42
Quarter 2	3:15	2:33	2:32	2:51	2:50
Quarter 3	2:38	2:17	2:12	2:42	2:23
Quarter 4	2:05	1:59	2:12	2:39	2:13
Annual	2:48	2:20	2:22	2:35	2:32

Source: Library Reference USPS-FY25-33, Excel file "WaitTimeInLineFY2025.xlsx," tabs "Nat'l Avg Wait Time FY25" and "Nat'l Avg WT by Qtr FY25;" FY 2024 ACD at 102.

Table VI-5 shows that in FY 2025 the national average wait time in line improved as the fiscal year progressed. Compared to the same period in FY 2024, FY 2025 wait time in line worsened by 21 seconds in Quarter 1 and then improved compared to the same period in FY 2024 for the remainder of FY 2025, improving by 1 second in Quarter 2, 19 seconds in Quarter 3, and 26 seconds in Quarter 4. The Postal Service explains that this improvement observed in FY 2025 Quarters 2 through 4 over the same period in FY 2024 resulted from several measures, including daily, weekly, and monthly reports to retail leaders; educating employees on best practices for reducing customer wait times; and promoting continued self-service efforts, focusing on Self-Service Kiosks (SSKs) and Rapid Drop-off Stations. *Id.* at 57-58.

The Public Representative comments that he is pleased about improvement in national average wait time in line in FY 2025. PR Comments at 39. Based on wait time data and customer survey results, he concludes that "wait times in line in FY 2025 were generally reasonable." *Id.* at 40. However, he expresses concern that the average wait time in line in the Western Pacific area was more than a minute longer compared to the average wait times in the Atlantic and Central areas. *Id.* at 41. He encourages the Postal Service to "identify the root causes for the wait time increase and to adjust staffing and promote SSK utilization to reduce wait times in the Western Pacific region in FY 2026, which should have a positive impact on national average wait times as well." *Id.*

The Postal Service responds that the different wait times in line in the Western Pacific area "most derive from location-specific factors that affect retail locations differently across the country[,] . . . such as the type of services provided at locations." February 6 Response to CHIR No. 7, question 3.a. Although it lacks specific information to explain the disparity, it states that it will continue initiatives for improving wait times and target efforts at locations with wait time in line averages exceeding 5 minutes. *Id.* question 3.b.

The Commission observes that the Point of Sale survey, which measures Customer Experience at Postal Service locations with retail equipment, asks customers to evaluate wait time in line.¹²⁹ In FY 2025, almost 91 percent of customers Strongly Agreed or Agreed that their wait time in line was acceptable.¹³⁰ Thus, it appears that national average wait time in line during FY 2025 was reasonable.

The Public Representative raises valid concerns about the regional discrepancy in the Western Pacific area. Between FY 2024 and FY 2025, area average wait time in line improved or stayed the same in the Atlantic, Central, and Southern areas.¹³¹ By contrast, the Western Pacific area average wait time in line increased by 6 seconds and was also the only

¹²⁹ Library Reference USPS-FY25-38, December 29, 2025, folder "USPS-FY25-38.zip," folder "Customer Surveys.zip," File "CX_Surveys_FY25.docx," at 3.

¹³⁰ Library Reference USPS-FY25-38, folder "USPS-FY25-38.zip" folder Customer Surveys.zip Excel file,""CX_Question_Response_Counts_FY25.xlsx," tab "POS."

¹³¹ Compare Docket No. ACR2024, Library Reference USPS-FY24-33, Excel file "WaitTimeInLineFY2024.xlsx," tab "Area Avg. Wait Time FY24," with Library Reference USPS-FY25-33, Excel file "WaitTimeInLineFY2025.xlsx," tab "Area Avg. Wait Time FY25."

area with a wait time in line that exceeded 3 minutes in FY 2024 and FY 2025. *See id.* However, wait time in line for this area did improve during each quarter of FY 2025, ending the fiscal year with an average wait time in line of 2 minutes and 53 seconds in FY 2025, Quarter 4.¹³²

In FY 2025, the Postal Service implemented two new dashboards summarizing wait time in line queues. January 30 Response to CHIR No. 4, question 14.a. One of them is "used for location-specific insight into [wait time in line] performance and to identify individualized solutions[.]" *Id.* question 14.a.v. The Postal Service may be able to use this dashboard to identify wait time in line issues in the Western Pacific area and create solutions that target those issues.

The Commission will continue to monitor wait time in line in Docket No. ACR2026. In the FY 2026 ACR, the Postal Service must:

- *Describe actions taken and measures implemented during FY 2026 to improve wait time in line*
- *Explain how these actions and measures impacted wait time in line in FY 2026*

The Commission encourages the Postal Service to continue initiatives for improving wait time in line in FY 2026. If the national average wait time in line increases during FY 2026, the FY 2026 ACR must:

- *Explain why wait time in line increased, identifying root causes and factors contributing to the increase*
- *Describe plans for improving wait time in line during FY 2027*
- *Explain how these plans will specifically address the root causes of increased wait time in line*

In the Western Pacific area, if the average wait time increases between FY 2025 and FY 2026, the FY 2026 ACR must:

- *Identify root causes and factors contributing to the increase in that area*
- *Describe plans for improving annual and quarterly wait time in line in the Western Pacific area in FY 2027*

¹³² Library Reference USPS-FY25-33, Excel file "WaitTimeInLineFY2025.xlsx," tab "Area Avg WT by QTR FY25."

9. Alternative Access to Postal Services

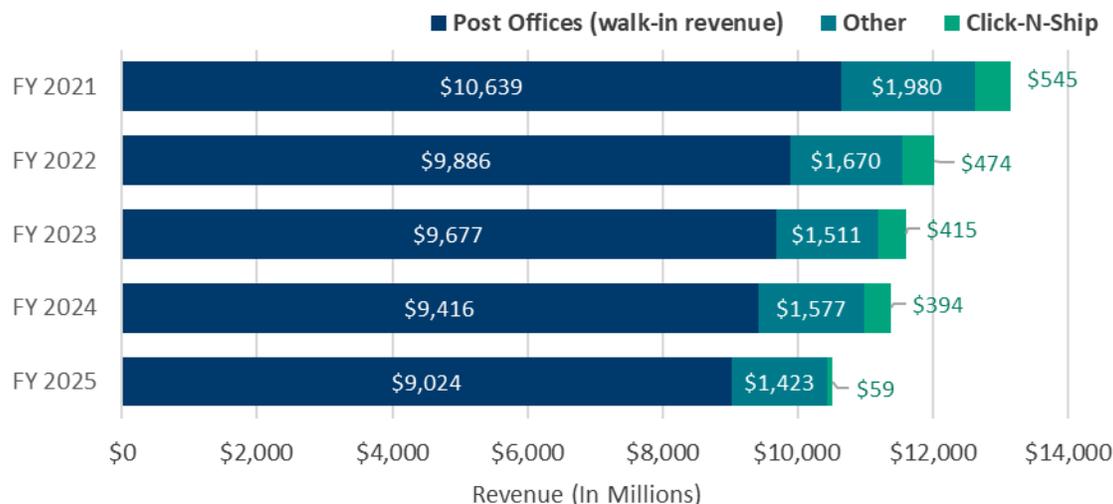
Customers may obtain postal products and services outside of traditional brick and mortar Post Offices through alternative access channels, which include:

- Stamp Sales by Partners – stamps sold by key suppliers such as Costco, Walmart, and other retailers
- SSKs – transactions performed via SSKs in lobbies of retail facilities
- Stamps by Mail/Phone – online stamp ordering via usps.com
- Contractor-operated retail facilities – revenue from CPUs, CPOs, and VPOs
- Click-N-Ship – an online mail service allowing customers to create an account, buy postage for packages, and schedule pick up service
- Other alternative access points – online services, commemorative stamp sales and philatelic products, stamped envelope sales, Approved Shipper sales, Forever Stamps, and Stamps to Go

Figure VI-17 compares retail revenue by channel from FY 2021 through FY 2025 in three categories:

- Post Offices (walk-in revenue from brick and mortar locations, including contractor-operated retail facilities)
- Click-N-Ship
- Other (including Stamp Sales by Partners; SSKs; Stamps by Mail/Phone; and other alternative access points)

Figure VI-17
Retail Revenue by Channel
FY 2021–FY 2025



Source: January 30 Response to CHIR No. 2, question 22.b.; FY 2024 ACD at 105.

In FY 2025, total retail revenue declined by 7.74 percent. This decline was caused in part by the drop in Click-N-Ship revenue, which was retired as a retail offering in February 2025. January 30 Response to CHIR No. 2, question 22.a. Revenue for each channel declined between FY 2024 and FY 2025. *See id.* question 22.b. The Postal Service attributes this decline to fewer revenue-generating customer visits to retail facilities, with corresponding declines in revenue and the number of transactions. FY 2025 ACR at 59. Despite these declines, customers continued to have the option to obtain postal services through the same alternative access channels offered in prior years. Although Click-N-Ship was retired as a retail offering, it continues to be available as a commercial and NPR product.

The Commission finds that customers appear to have had sufficient access to postal services in FY 2025 because the Postal Service continued to make postal services available at retail facilities and through alternative access channels. The Commission will continue to monitor alternative access channels in FY 2026 to ensure that customers have regular and effective access to postal services in all communities.

In the FY 2026 ACR, for each alternative access channel that experiences a decline in revenue, the Postal Service must identify the root causes for these declines and describe plans to address them in FY 2027.

C. Customer Satisfaction with Market Dominant Products

1. Chapter Key Findings

Key findings and corresponding Commission directives and recommendations on customer access include:

- In FY 2025, customer satisfaction improved for all but four Market Dominant mailing services
- The Postal Service must improve small/medium business customer satisfaction with USPS Marketing Mail, which was the mailing service with the lowest result in FY 2025

2. Background

In this section, the Commission evaluates “the degree of customer satisfaction with the service provided” for Market Dominant products as required by 39 U.S.C. § 3652(a)(2)(B)(ii). “Customer satisfaction” in this section refers specifically to customer satisfaction with Market Dominant products. Other topics related to Customer Experience—including the surveys, FY 2025 targets and results, and metrics—will be analyzed in detail in the Commission’s forthcoming *Analysis of the FY 2025 Annual Performance Report and FY 2026 Annual Performance Plan*.

To measure customer satisfaction with Market Dominant products, the Postal Service surveys three customer types: residential, small/medium business, and large business. Among other questions, the surveys ask customers to evaluate their experience using several domestic and international mailing services, such as First-Class Mail International and Media Mail.¹³³ They group classes and products into mailing services. *Id.* Customers were asked to rate their satisfaction level with each mailing service using a five-point scale ranging from Very Satisfied to Very Dissatisfied. *See id.*

For each customer type, Table VI-6 compares customer satisfaction results for select Market Dominant mailing services between FY 2023 and FY 2025. Results are expressed as the percentage of customers who selected Very Satisfied or Mostly Satisfied. FY 2025 ACR at 28.

¹³³ Library Reference USPS-FY25-38, folder "USPS-FY25-38.zip," folder "Customer Surveys.zip," file "CX_Surveys_FY25.docx," at 20-23, 39-42.

Table VI-6
Customer Satisfaction with Market Dominant Mailing Services, by Percentage
FY 2023–FY 2025

Market Dominant Products (Mailing Services)	Residential Customers			Small/Medium Business Customers			Large Business Customers		
	FY 2023	FY 2024	FY 2025	FY 2023	FY 2024	FY 2025	FY 2023	FY 2024	FY 2025
First-Class Mail	76.42%	80.90%	80.35%	78.90%	75.09%	72.32%	85.91%	86.28%	90.89%
Single-Piece International	79.89%	77.31%	77.40%	79.18%	72.51%	70.81%	88.75%	87.92%	91.31%
USPS Marketing Mail	N/A ^A	N/A ^A	N/A ^A	73.36%	60.13%	59.02%	84.12%	83.20%	87.66%
Periodicals	N/A ^A	N/A ^A	N/A ^A	82.33%	69.87%	69.95%	83.14%	82.84%	84.95%
Media Mail	83.06%	70.91%	72.19%	81.90%	69.17%	69.20%	82.04%	80.12%	85.08%
Library Mail	79.16%	56.74%	60.19%	76.33%	60.01%	61.01%	83.42%	82.33%	84.50%

N/A - Residential customers were not asked about their satisfaction with this mailing service.

Red indicates the score was worse than the prior fiscal year.

Source: FY 2025 ACR at 45-46.

Table VI-6 shows that between FY 2024 and FY 2025, customer satisfaction improved for all but four mailing services: residential First-Class Mail, and small/medium business First-Class Mail, USPS Marketing Mail, and First-Class Mail International. The Public Representative commends the Postal Service for increasing all Large Business customer satisfaction results by at least two percentage points. PR Comment at 43. He observes that for residential customers, Market Dominant product satisfaction with Media Mail, Library Mail, and First-Class Mail international increased in FY 2025, and First-Class Mail results were 4.11 percentage points more than the FY 2023 result. *Id.* at 43-44.

The Public Representative raises concerns about small/medium business customer satisfaction. *Id.* at 44. He states that in FY 2025, results for First-Class Mail and First-Class Mail International declined by 2.77 and 1.70 percentage points, respectively. *Id.* He comments on the continued decline of USPS Marketing Mail, which had the lowest customer satisfaction result in FY 2025 (59.02). *Id.* He recommends that the Postal Service focus on reversing the declines in small/medium business customer satisfaction, particularly for USPS Marketing Mail. *Id.*

In the FY 2025 ACR, the Postal Service acknowledges these declines and identifies price increases and on-time delivery as key satisfaction drivers. FY 2025 ACR at 48. It states that based on feedback through informal channels, accessibility appears to be a possible root cause of lower small/medium business customer satisfaction. January 30 Response to CHIR No. 4, question 12.a. Specifically, the scope of products and services available to them was not clear to some customers. *Id.*

The Postal Service describes its efforts to improve Market Dominant product satisfaction, including education and engagement, Informed Delivery, USPS Connect Local Mail service, and mail growth incentives. FY 2025 ACR at 49-52. To address customer satisfaction declines for small/medium business customers, it states it is "researching opportunities to make postal services more accessible for small/medium business customers." January 30 Response to CHIR No. 4, question 12.b.

3. Commission Analysis

Overall customer satisfaction with Market Dominant products improved between FY 2024 and FY 2025. In FY 2025, residential customer satisfaction improved for three of four measured mailing services; small/medium business customer satisfaction was split, with half of the measured mailing services showing improvement while the other half experienced a decline; and large business customer satisfaction increased across the board, showing improvement for each of the six measured mailing services. *See* Table VI-6. With residential customers, both Media Mail and Library Mail rebounded slightly from the double-digit percentage drops reported in the FY 2024 ACD. While the increases were relatively small, 0.09 percentage points for Single-Piece International, 1.28 percentage points for Media Mail, and 3.45 percentage points for Library Mail, any improvement is a welcomed one. Only First-Class Mail customer satisfaction experienced a decline of -0.55 percentage points.

Despite only half of mailing services for small/medium business customer satisfaction improving in FY 2025, it still marks an improvement over the prior fiscal year. In FY 2024, no mailing services experienced improved satisfaction. This year, however, Periodicals, Media Mail, and Library Mail all improved slightly, between 0.03 percentage points and 1.00 percentage points. While First-Class Mail, Single-Piece International, and USPS Marketing Mail declined, the declines were limited to between 1.11 percentage points and 2.77 percentage points.

Large business customer satisfaction improved across all six mailing services, representing a correction relative to FY 2024 that saw five of the six services decline. The range of improvement was between 2.11 percentage points (Periodicals) and 4.96 percentage points (Media Mail), with the four other mailing services nestling contently within.

The Commission appreciates the Postal Service ability to improve after the Commission expressed prior concern about the decline in satisfaction. With 12 of the 16 measured mailing services showing improvement, the Commission is pleased with the turnaround.

While the Commission seeks to see improvement for all mailing services, 75 percent improvement is a positive development considering the disparate results that have previously occurred.

The Public Representative raises valid concerns about the decline in small/medium business customer satisfaction with USPS Marketing Mail. The decline between FY 2024 and FY 2025 (1.11 points) was relatively small compared to the 13.23 percentage point decline between FY 2023 and FY 2024. However, this mailing service had the lowest result in FY 2025 and was the only mailing service that fell below 60 percentage points. The Postal Service's explanation of the decline and plans for addressing it are reasonable. The Commission will continue to monitor Market Dominant product satisfaction for all customer types in FY 2026.

The Commission recommends the Postal Service create a better system for tracking cost-savings associated with RTO as well as attempt to create a better balance of implementing network changes without the detriment of poor service performance. *Service must:*

- *Identify key drivers of Market Dominant product satisfaction for residential, small/medium business, and large business customers*
- *Describe specific actions taken in FY 2026 to improve Market Dominant product satisfaction for each customer type*
- *Identify the root causes of lower customer satisfaction for any product with a result that declines between FY 2025 and FY 2026*
- *Describe specific plans for improving Market Dominant product satisfaction in FY 2027 that target products and customer types with lower satisfaction results in FY 2026*

If small/medium business customer satisfaction with USPS Marketing Mail continues to decline in FY 2026, the FY 2026 ACR must:

- *Describe actions taken in FY 2026 to improve small/medium business customer satisfaction for this mailing service, including how the Postal Service clarified the scope of products and services available to these customers*
- *Explain why these actions were not effective in stemming the decline in USPS Marketing Mail customer satisfaction for small/medium business customers*
- *Describe specific plans in FY 2027 for improving USPS Marketing Mail customer satisfaction that specifically targets small/medium businesses*

CHAPTER VII. FLATS FINANCIAL AND SERVICE ISSUES

A. Introduction

The Postal Service has faced significant challenges processing and delivering flat-shaped mailpieces (flats or flat-shaped mail products) in a cost-effective manner. In response to statutory requirements and multiple Commission directives issued over the years, the Postal Service has designed and implemented various operational and pricing initiatives to address these issues, including in response to the Commission's special flats study.¹³⁴ Despite the initiatives, these challenges have led to continuous and persistent increases in costs, with three out of eight flats products not covering costs in FY 2025. In addition, only one flat-shaped mail category met its service performance target in FY 2025.

The Commission's review of flats cost and service issues in this docket focuses on five areas: (1) flats financial performance; (2) flats service performance; (3) impact of operational initiatives and methodological changes on flats; (4) inefficiencies in collection, processing, transportation, and delivery that affect flats operational performance; and (5) flats unit costs for mail processing, delivery, and purchased transportation. The Commission makes several recommendations to the Postal Service regarding specific plans to address both cost and service issues for flat-shaped products in FY 2026.

B. FY 2025 Flats Volume and Financial Performance

In FY 2025, the overall unit revenue of flats (revenue of flats products combined)¹³⁵ continued to increase. For the second consecutive year, flats products overall provided positive contribution. Volume continued to decline for each flats product, and unit contribution continued to increase for the majority of flats products. In this section, the Commission reviews the volume and financial performance of flats products, including changes in unit attributable cost, cost coverage, unit revenue, and contribution.

¹³⁴ See Docket No. SS2022-1, Flats Study (citing FY 2021 ACD at 31, 60); Docket No. SS2022-1, October 6, 2023 Flats Plan; Docket No. SS2022-1, June 25, 2025 Response.

¹³⁵ This unit revenue is calculated as the combined flats revenue divided by the combined flats volume.

1. Flats Cost Coverage and Volume

In FY 2025, the Postal Service had eight flats products. Table VII-1 compares cost coverage for these products in FY 2024 and FY 2025. In FY 2025, five out of eight flats products covered their costs, consistent with FY 2024. As Table VII-1 shows, from FY 2024 to FY 2025, cost coverage increased for five out of eight flats products: four compensatory products and one non-compensatory product.

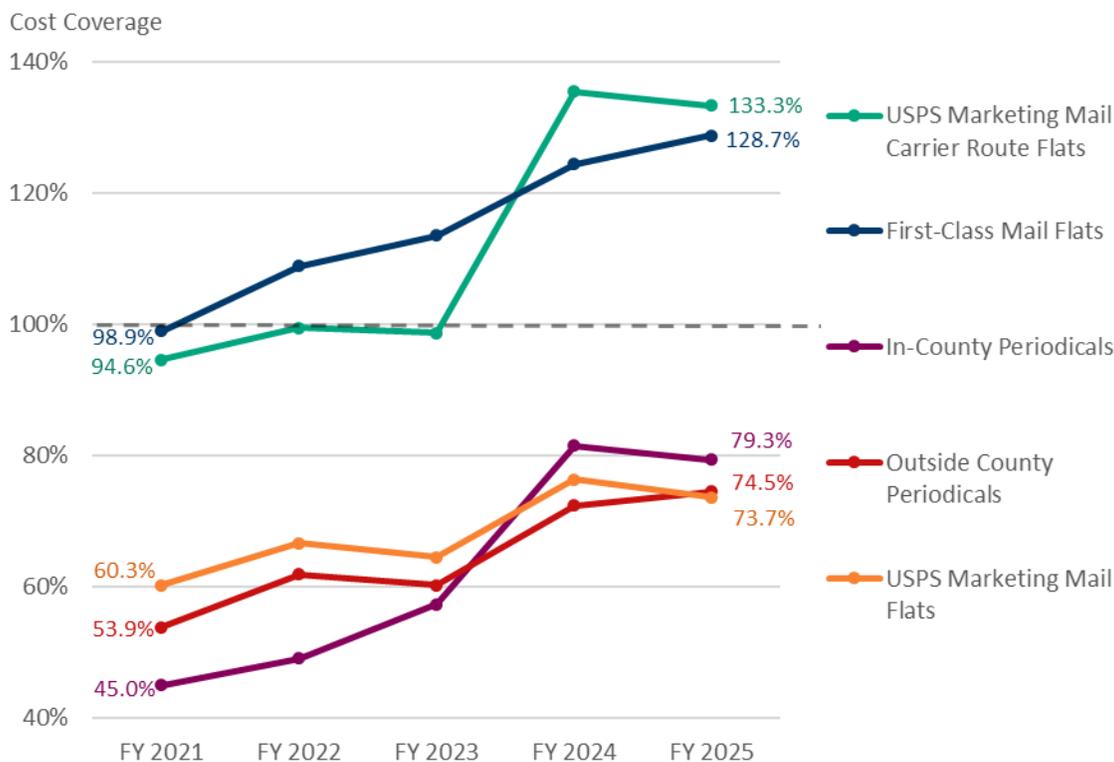
Table VII-1
Flats Cost Coverage, FY 2024–FY 2025

Compensatory Product	FY 2024	FY 2025	Change
First-Class Mail Flats	124.3%	128.7%	4.4%
USPS Marketing Mail High Density and Saturation Flats and Parcels	157.3%	183.8%	26.5%
USPS Marketing Mail Every Door Direct Mail-Retail	297.8%	351.4%	53.6%
USPS Marketing Mail Carrier Route Flats	135.5%	133.3%	-2.2%
Package Services Bound Printed Matter Flats	127.7%	133.9%	6.1%
Non-Compensatory Product	FY 2024	FY 2025	Change
USPS Marketing Mail Flats	76.3%	73.7%	-2.7%
In-County Periodicals	81.5%	79.3%	-2.1%
Outside County Periodicals	72.4%	74.5%	2.2%
Total Flats	110.9%	114.4%	3.6%

Source: Library Reference PRC-LR-ACR2025-10.

From FY 2021 to FY 2025, the number of non-compensatory flats products decreased from five to three. Figure VII-1 visualizes the trend in cost coverage for five selected flats products that were non-compensatory in any year between FY 2021 and FY 2025. The FY 2025 cost coverage exceeds the FY 2021 cost coverage for all five flats products, with increases ranging from 13.4 percentage points (for USPS Marketing Mail Flats) to 38.7 percentage points (for USPS Marketing Mail Carrier Route Flats). See Library Reference PRC-LR-ACR2025-10. First-Class Mail Flats and USPS Marketing Mail Carrier Route Flats became compensatory in FY 2022 and FY 2024, respectively, and remained compensatory since then. See Figure VII-1.

**Figure VII-1
Cost Coverage of Selected Flats, FY 2021–FY 2025**



Source: Library Reference PRC-LR-ACR2025-10.

As Table VII-2 illustrates, total flats volume declined by 9.3 percent from FY 2024 to FY 2025. Volume declined for all eight flats products, with the highest rate of decline being 20.6 percent for USPS Marketing Mail Carrier Route Flats.¹³⁶ Compensatory flats products as a group lost 8.2 percent of their volume, and non-compensatory products lost 12.2 percent of their volume. The five compensatory products represented almost 75 percent of total flats volume in FY 2025. USPS Marketing Mail High Density and Saturation Flats and Parcels, a compensatory product, continued to have the largest share of volume within the group of flats products (48.5 percent).

¹³⁶ In FY 2025, two major customers shifted their Carrier Route Flats to several letters categories, and one other major Carrier Route customer cut back significantly on its Marketing Mail mailings. Library Reference USPS-FY25-45, December 29, 2025, folder "Rule 3050.55 Cost Reduction," folder "Paragraph (b) -- Financial Report," PDF file "Part B Narratives - FY 25 Rule 3050.55.pdf," at 26.

**Table VII-2
Flats Volume (Millions), FY 2024–FY 2025**

Compensatory Product	FY 2024	FY 2025	Change	FY 2025 Volume Share
First-Class Mail Flats	878	840	-4.3%	5.2%
USPS Marketing Mail High Density and Saturation Flats and Parcels	8,165	7,869	-3.6%	48.5%
USPS Marketing Mail Every Door Direct Mail-Retail	583	559	-4.1%	3.4%
USPS Marketing Mail Carrier Route Flats	3,459	2,745	-20.6%	16.9%
Package Services Bound Printed Matter Flats	119	104	-12.4%	0.6%
Total Compensatory Flats	13,204	12,118	-8.2%	74.7%
Non-Compensatory Product	FY 2024	FY 2025	Change	FY 2025 Volume Share
USPS Marketing Mail Flats	1,937	1,668	-13.9%	10.3%
In-County Periodicals	483	454	-6.1%	2.8%
Outside County Periodicals	2,263	1,989	-12.1%	12.3%
Total Non-Compensatory Flats	4,683	4,111	-12.2%	25.3%
Total Flats	17,887	16,229	-9.3%	100.0%

Source: Library Reference PRC-LR-ACR2025-10.

2. FY 2025 Flats Price Increases

Table VII-3 shows the price increases for flats products from FY 2021 to FY 2025. In FY 2025, all non-compensatory flats products received price increases above the class average, except for Outside County Periodicals.¹³⁷

Table VII-3
Rate Increases for Flats, FY 2021–FY 2025

Docket No.	R2021-1	R2021-2	R2022-1	R2023-1	R2023-2	R2024-1	R2024-2	R2025-1	Total
Effective Date	1/24/21	8/29/21	7/10/22	1/22/23	7/9/23	1/21/24	7/14/24	7/13/25	
Compensatory Product Level Rate Increase									
First-Class Mail Flats	1.26%	10.32%	9.20%	6.21%	6.93%	1.44%	9.68%	7.34%	65.47%
USPS Marketing Mail High Density and Saturation Flats and Parcels	0.99%	5.45%	4.77%	4.69%	3.05%	2.14%	7.90%	6.79%	41.66%
USPS Marketing Mail Every Door Direct Mail Retail	0.52%	4.17%	-6.50%	1.07%	4.76%	2.53%	9.85%	10.76%	29.32%
Package Services Bound Printed Matter Flats	0.00%	7.45%	4.17%	2.53%	3.54%	0.10%	5.70%	30.77%	64.38%
USPS Marketing Mail Carrier Route Flats	3.53%	8.87%	8.66%	6.21%	7.39%	3.96%	9.92%	-1.08%	57.90%
Non-Compensatory Product Level Rate Increase									
USPS Marketing Mail Flats	3.55%	8.82%	8.54%	6.25%	7.38%	3.97%	11.71%	9.61%	77.64%
In-County Periodicals	1.20%	7.33%	7.75%	7.61%	8.81%	7.32%	9.70%	9.76%	77.09%
Outside County Periodicals	1.47%	8.85%	8.58%	3.23%	8.08%	1.59%	9.76%	9.35%	63.15%

Note: Product price increases that were larger than the class-average price increase are highlighted in orange.

Source: Library Reference PRC-LR-ACR2025-10.

¹³⁷ In FY 2025, the class average price increase was 7.385 percent for USPS Marketing Mail, and 9.385 for Periodicals. See Order No. 8867 at 5. Since the Periodicals class contains only In-County Periodicals and Outside County Periodicals, it's not possible for both Periodicals products to receive price increases above the class average.

3. Unit Revenue, Unit Cost and Contribution

Unit revenue increased in FY 2025 for all flats products, with increases ranging from 3.6 percent (for USPS Marketing Mail High Density and Saturation Flats and Parcels) to 10.8 percent (for USPS Marketing Mail Every Door Direct Mail Retail). *See* Table VII-4. Non-compensatory flats products had some of the largest increases in unit revenue (ranging from 9.5 to 10.7 percent).

Table VII-4
Flats Unit Revenue, FY 2024–FY 2025

Compensatory Product	FY 2024	FY 2025	Change
First-Class Mail Flats	\$1.977	\$2.132	7.8%
USPS Marketing Mail High Density and Saturation Flats and Parcels	\$0.206	\$0.214	3.6%
USPS Marketing Mail Every Door Direct Mail-Retail	\$0.206	\$0.228	10.8%
USPS Marketing Mail Carrier Route Flats	\$0.373	\$0.404	8.4%
Package Services Bound Printed Matter Flats	\$0.923	\$1.008	9.2%
Total Compensatory Flats	\$0.374	\$0.397	6.2%
Non-Compensatory Product	FY 2024	FY 2025	Change
USPS Marketing Mail Flats	\$0.612	\$0.677	10.7%
In-County Periodicals	\$0.151	\$0.167	10.4%
Outside County Periodicals	\$0.371	\$0.406	9.5%
Total Non-Compensatory Flats	\$0.448	\$0.490	9.4%
Total Flats	\$0.393	\$0.421	6.9%

Source: Library Reference PRC-LR-ACR2025-10.

The Postal Service reported that for six out of eight flats products, the increases in unit attributable costs were greater than the average unit attributable cost increase for all Market Dominant mail, which was 2.7 percent.¹³⁸ Table VII-5 shows the change in unit attributable costs for each flats products from FY 2024 to FY 2025. In addition to having an increase in unit attributable costs greater than the Market Dominant mail average, six out of eight flats products had increases greater than the FY 2025 average increase in CPI-U, 3.013 percent.¹³⁹ After decreasing in FY 2024, unit attributable costs increased for all non-compensatory products in FY 2025. The unit attributable cost for the group of non-compensatory products increased substantially (by 10.3 percent) but was stable (decreased by 0.01 percent) for the group of compensatory products. *See* Table VII-5.

**Table VII-5
Flats Unit Attributable Cost, FY 2024–FY 2025**

Compensatory Product	FY 2024	FY 2025	Change
First-Class Mail Flats	\$1.591	\$1.656	4.1%
USPS Marketing Mail High Density and Saturation Flats and Parcels	\$0.131	\$0.116	-11.3%
USPS Marketing Mail Every Door Direct Mail-Retail	\$0.069	\$0.065	-6.1%
USPS Marketing Mail Carrier Route Flats	\$0.275	\$0.303	10.1%
Package Services Bound Printed Matter Flats	\$0.723	\$0.753	4.2%
Total Compensatory Flats	\$0.269	\$0.269	-0.01%
Non-Compensatory Product	FY 2024	FY 2025	Change
USPS Marketing Mail Flats	\$0.802	\$0.920	14.7%
In-County Periodicals	\$0.185	\$0.210	13.4%
Outside County Periodicals	\$0.512	\$0.545	6.4%
Total Non-Compensatory Flats	\$0.598	\$0.660	10.3%
Total Flats	\$0.355	\$0.368	3.6%

Note: Changes in attributable cost greater than the 2025 CPI-U are highlighted in orange.

Source: Library Reference PRC-LR-ACR2025-10.

¹³⁸ As required by the Commission's rules, the Postal Service provided a financial analysis for FY 2025 that identified flats products for which unit attributable costs increased faster than the average unit attributable cost for Market Dominant mail. *See* 39 C.F.R. § 3050.50(b)(4). In FY 2025, the average unit attributable cost increase for all Market Dominant mail was 2.7 percent. *See* Library Reference USPS-FY25-45, folder "Rule 3050.50 Flats," folder "Paragraph (b) -- Financial Report," PDF file "Part B Narratives - FY 25 Rule 3050.50.pdf," at 1-2 (Paragraph B Narratives).

¹³⁹ The CPI-U was calculated for FY 2025 (October 1, 2024–September 30, 2025) using the following formula: $(\text{CPI-U September 2025} / \text{CPI-U September 2024}) - 1$ and expressed as a percentage; $(324.800 / 315.301) - 1 = 3.013$ percent. *See* U.S. Bureau of Labor Statistics, Consumer Price Index, available at <https://www.bls.gov/cpi/tables/supplemental-files>; Archived Consumer Price Index Supplemental Files, available at <https://www.bls.gov/cpi/tables/supplemental-files/historical-cpi-u-202511.xlsx>.

The Postal Service attributed the flats unit cost increases to increases in unit transportation, delivery, and mail processing costs. Paragraph B Narratives at 2-3. While maintaining that it is unfeasible to plan cost reductions for specific flats products, the Postal Service has developed broader operational initiatives that are being undertaken to achieve cost reductions. *Id.* at 3-4; *see* Section VII.D. As shown in Table VII-6, unit contribution increased for six out of eight flats products from FY 2024 to FY 2025. In FY 2025, unit contribution decreased for two out of three non-compensatory flats products: (1) USPS Marketing Mail Flats; and (2) In-County Periodicals. The unit contribution for the group of non-compensatory flats products decreased by 13.2 percent from FY 2024 to FY 2025. Comparatively, unit contribution increased for all compensatory flats products, resulting in a 22.0 percent increase in unit contribution for compensatory flats products as a group.

Table VII-6
Flats Unit Contribution, FY 2024–FY 2025

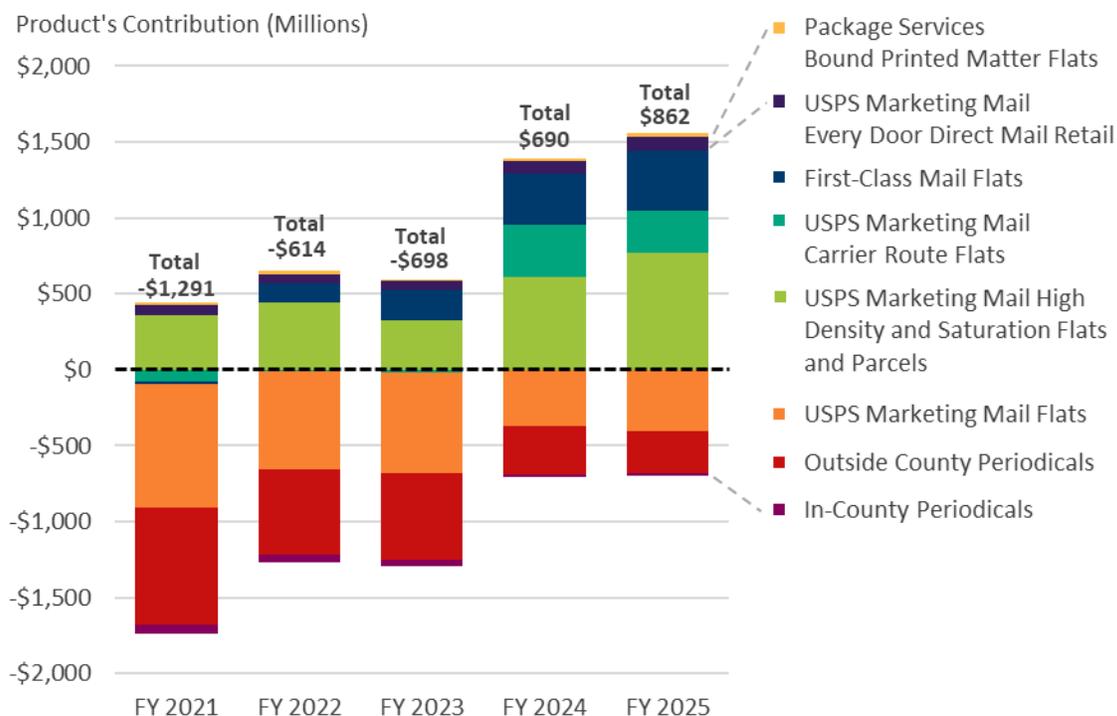
Compensatory Product	FY 2024	FY 2025	Change
First-Class Mail Flats	\$0.387	\$0.475	22.9%
USPS Marketing Mail High Density and Saturation Flats and Parcels	\$0.075	\$0.097	29.7%
USPS Marketing Mail Every Door Direct Mail-Retail	\$0.137	\$0.163	19.4%
USPS Marketing Mail Carrier Route Flats	\$0.098	\$0.101	3.4%
Package Services Bound Printed Matter Flats	\$0.201	\$0.255	27.1%
Total Compensatory Flats	\$0.106	\$0.129	22.0%
Non-Compensatory Product	FY 2024	FY 2025	Change
USPS Marketing Mail Flats	-\$0.190	-\$0.242	-27.6%
In-County Periodicals	-\$0.034	-\$0.043	-26.4%
Outside County Periodicals	-\$0.141	-\$0.139	1.9%
Total Non-Compensatory Flats	-\$0.150	-\$0.170	-13.2%
Total Flats	\$0.039	\$0.053	37.6%

Source: Library Reference PRC-LR-ACR2025-10.

FY 2025 was the second consecutive year in which the combined contribution from all flats products was positive. *See* Figure VII-2. In FY 2025, the contribution from all flats products was \$861.6 million, an increase of \$171.5 million from FY 2024. *Id.* The \$171.5 million increase in contribution in FY 2025 was, however, almost ten times smaller than the \$1.4 billion increase in flats products contribution from FY 2023 to FY 2024, which was the result of a large decline in flats attributable cost (by \$1.5 billion). *See* Library Reference PRC-LR-ACR2025-10. From FY 2024 to FY 2025, flats attributable costs decreased by \$380.4 million, but revenue also decreased (by \$208.8 million). *Id.*

Figure VII-2 displays the contribution for each flats products between FY 2021 and FY 2025. The total contribution from all flats products increased primarily because of the increased contribution from compensatory products, such as USPS Marketing Mail High Density and Saturation Flats and Parcels, USPS Marketing Mail Carrier Route Flats, and First-Class Mail Flats. Between FY 2021 and FY 2025, the contribution from compensatory flats increased from \$446.1 million to \$1.6 billion. *See* Library Reference PRC-LR-ACR2025-10. During the same period, the negative contribution from non-compensatory flats improved (i.e., decreased from \$1.7 billion to \$699.8 million or by approximately \$1.0 billion). *Id.*

Figure VII-2
Flats Contribution (\$ Millions), FY 2021–FY 2025

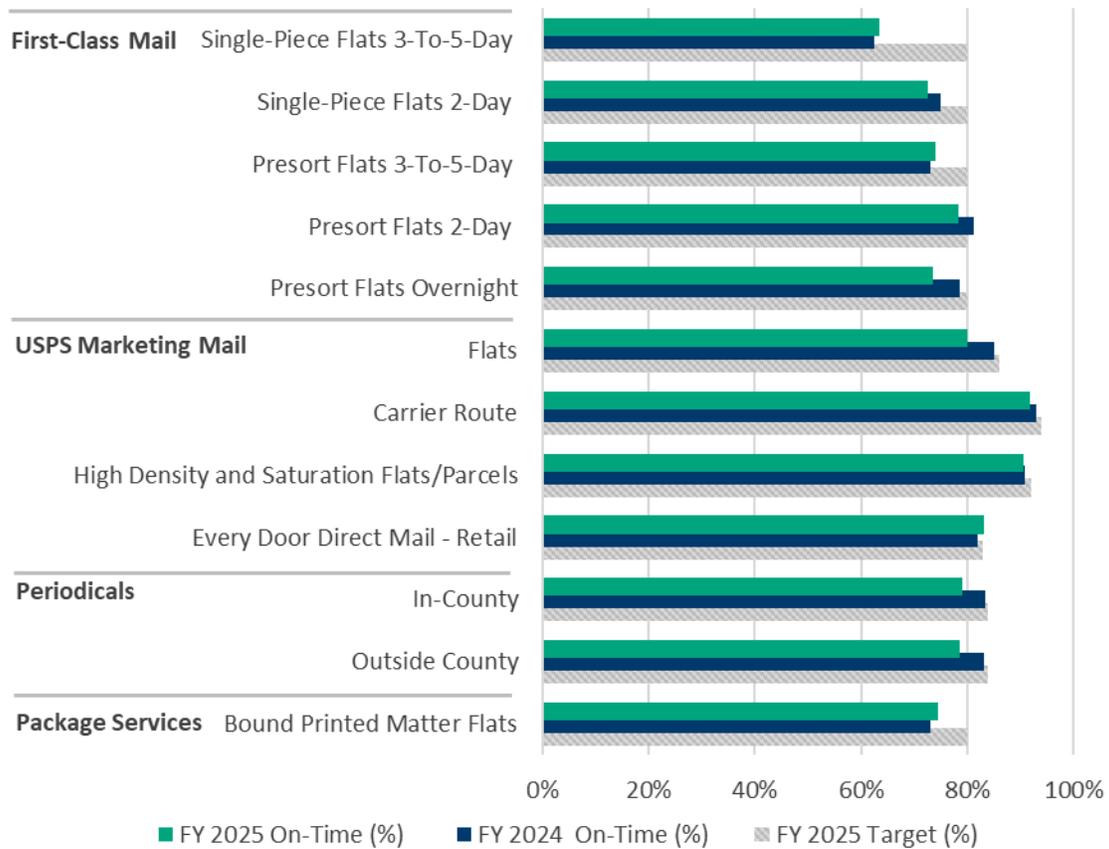


Source: Library Reference PRC-LR-ACR2025-10.

C. Service Performance of Flats

Service performance scores decreased for most flats categories in FY 2025. As Figure VII-3 shows, First-Class Mail Three-to-Five Day categories, Every Door Direct Mail—Retail, and Package Services Bound Printed Matter Flats are the exceptions.

Figure VII-3
Service Performance Scores for Flats Categories, FY 2024–FY 2025

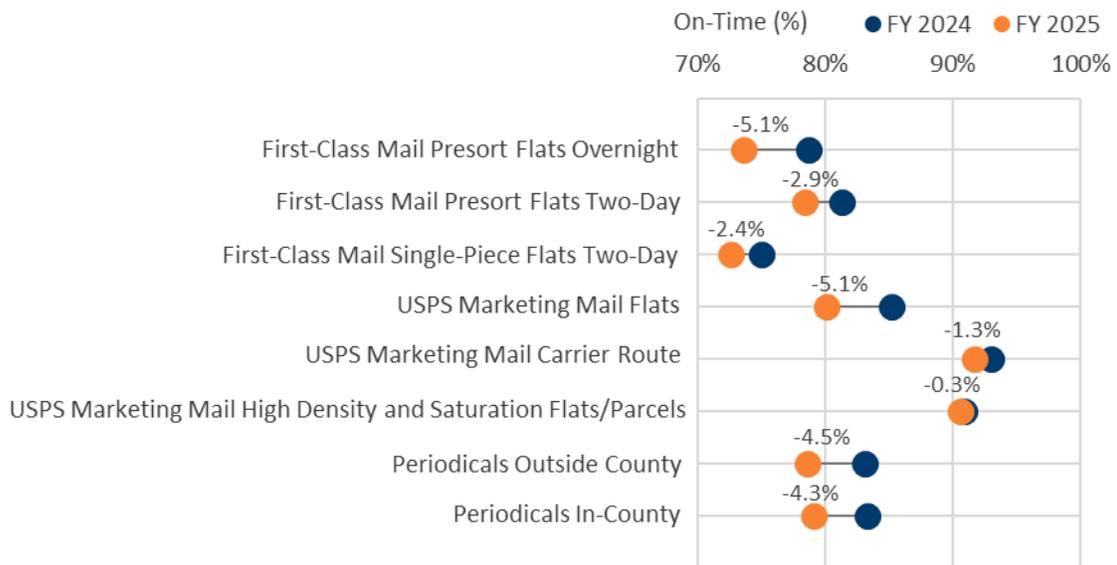


Source: Library Reference PRC-LR-ACR2025-10.

In FY 2025, only Every Door Direct Mail—Retail met its target service performance score among flats categories. *See* Figure VII-3. The Commission remains concerned¹⁴⁰ that flats categories continue to miss their respective targets, notwithstanding the Postal Service’s decision to lower targets for several flats categories in FY 2025.¹⁴¹

Percent "on time" decreased for 8 out of 12 flats categories tracked for analysis (ranging from 0.3 to 5.1 percentage points). *See* Figure VII-4.

Figure VII-4
Percent On-Time for Flats Categories, FY 2024–FY 2025



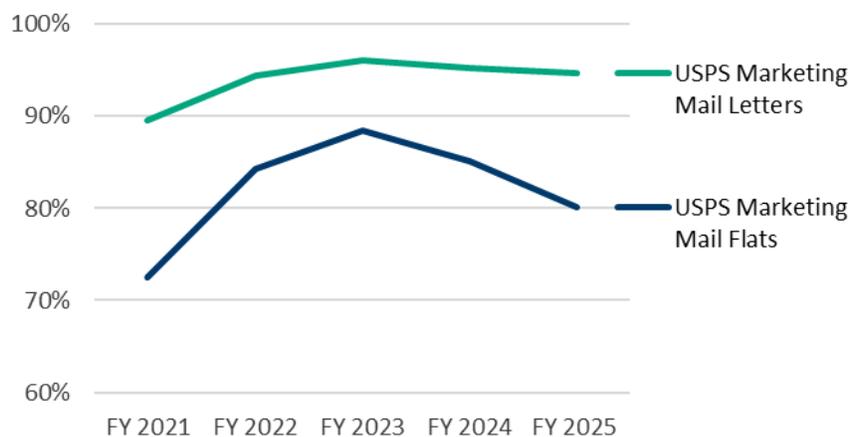
Source: Library Reference PRC-LR-ACR2025-10.

¹⁴⁰ The Commission previously noted concerns that the improvements in flats service performance observed in FY 2023 appeared temporary (and were unlikely attributable to Flats Sequencing System (FSS) decommissioning) and emphasized that the underlying productivity and operational issues persisted. *See* Order No. 8436 at 63-65, 135-36. The Commission subsequently found that service performance for most flats products declined in FY 2024, that no flats product met its target, and that the Postal Service reduced multiple flats service performance targets for FY 2025. *See* Order No. 9398 at 24-27.

¹⁴¹ Due to the change in local transportation, the Postal Service adjusted service standards regarding Leg 1 (First Mile) and implemented the new service standards on April 1, 2025. *See* FY 2025 ACR at 22. The Postal Service recently changed the methodology renaming First Mile as Leg 1. *See, e.g.,* Order No. 8942 at 7.

Flats also continued to underperform relative to letters across multiple Market Dominant categories. For example, USPS Marketing Mail Flats failed to meet its on-time performance target and, as shown in Figure VII-5, continued to perform below USPS Marketing Mail Letters.

Figure VII-5
Service Performance of USPS Marketing Mail Flats and Letters, FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-10.

This pattern is consistent with prior years' findings and reflects a persistent disparity between flat-shaped and letter-shaped mail. With the exception of USPS Marketing Mail Letters and Flats, the performance gap observed in FY 2025 remained generally consistent with prior years.¹⁴² In the case of USPS Marketing Mail, however, the widening gap in FY 2025 is attributable to a decline in performance of USPS Marketing Mail Flats rather than an improvement in performance of USPS Marketing Mail Letters.

¹⁴² The performance gap is calculated as the difference between the annual on-time performance score for letter-shaped categories and the corresponding flat-shaped categories within the same mail class and service standard (e.g., USPS Marketing Mail Letters minus USPS Marketing Mail Flats). The annual on-time performance scores used to calculate these differentials are reported in tables in the Commission's ACDs. For the last 5 fiscal years, including FY 2025, see Chapter VI, Table VI-1; FY 2024 ACD at 66; FY 2023 ACD at 126, 162; FY 2022 ACD at 133, 153; FY 2021 ACD at 141, 171.

D. Impact of Operational Initiatives and Methodological Changes

1. Introduction

As required by 39 C.F.R § 3050.50(f), the Postal Service reported a set of national operational changes and initiatives related to flat-shaped mail implemented during FY 2025, as well as planned national operational initiatives for FY 2026.¹⁴³ According to the Postal Service, it began to improve service performance in the second half of FY 2025 and aims to build upon that improvement by initiating and sustaining strategies intended to reduce flats costs and improve service performance. *See* FY 2025 Operational Initiatives Report at 1.

The Postal Service indicates that each initiative generally applies to all flat-shaped mail unless otherwise specified. *Id.* In response to § 3050.50(f)(1), the Postal Service identifies generally the areas for which data are submitted in response to § 3050.50(b)-(e) that it reasonably expects will be affected by each initiative. *Id.* The Postal Service states that it cannot determine conclusively whether or how each initiative affects specific outcomes and that change from one year to another may reflect numerous factors outside its control. *Id.*

Consistent with this position, the Postal Service asserts that it is unable to provide estimates of the impact of each operational initiative in response to § 3050.50(f)(2) and maintains that it is neither possible to identify with certainty which initiatives contributed to a particular result nor to isolate the effects of each initiative. *Id.* at 1-2; *see* January 23 Response to CHIR No. 2, question 4.a. Accordingly, the Commission discusses them at a general level in this section and throughout this Chapter where applicable.

The Postal Service reports that it took steps to improve the overall fluidity and operational stability, including upgrading to flat sorting fleet software and cameras, additions of package and bundle sorting machines, and stabilizing employee complement. *See* FY 2025 Operational Initiatives Report at 2. The Postal Service also states that the Headquarters cross-functional team established in FY 2019 continues to support flats operations. *Id.* According to the Postal Service, "[t]he purpose of the team is to identify and implement cost saving measures around flats processing and improvements aimed at boosting service performance." *Id.* The Postal Service reports that continued flats volume decline makes it more difficult to control costs on a per-piece basis. *Id.* The Postal Service reiterates that it is committed to planning and implementing initiatives that are simple and achievable and that will drive down costs and improve service. *Id.* at 3.

¹⁴³ *See* Library Reference USPS-FY25-45, folder "Paragraph (f) -- Operational Changes Report," PDF file "FY25 Paragraph (f) Report.pdf" (FY 2025 Operational Initiatives Report).

2. Flats-Specific Initiatives

a. Bundle Breakage Initiatives

The Postal Service describes two initiatives related to bundle processing:

- Bundle Sorter Bin Expansion and Additional Package/Bundle Sorter Machines - Periodicals and Marketing Mail Flats
- Full-Service Bundle Visibility - Periodicals and Marketing Mail Flats

FY 2025 Operational Initiatives Report at 4-5.

The initiative to expand bundle sorter bins continued to increase the number of sortation bins on bundle sorters in FY 2025 to help finalize more mail on a primary automated operation. *Id.* at 4. The Postal Service explains that by increasing the number of sortation bins, it reduces the amount of mail that must be reworked on a secondary automated operation or reworked manually. *Id.* The Postal Service expects this to improve bundle breakage because it may reduce the number of times the bundle is dropped, either by a container unloader or into the output container, in sites where bundles were previously reworked on a secondary automated operation. January 16 Response to CHIR No. 1, question 19. In addition, the Postal Service expects that finer sortation and increased capacity will improve service performance. FY 2025 Operational Initiatives Report at 4.

In FY 2025, the Postal Service also added additional package and bundle sorting machines in locations with capacity shortfalls. *Id.* In total, the Postal Service added machines to 54 facilities. January 16 Response to CHIR No. 1, question 20. Table VII-7 provides the breakdown by facility type. In FY 2026, the Postal Service will continue this initiative by rolling out of the capacity to process bundle machines on Single Induction Package Sorter (SIPS) machines nationwide. FY 2025 Operational Initiatives Report at 5.

**Table VII-7
Number of Facilities Receiving Additional Machines in FY 2025**

Facility Type	Existing Network Distribution Center	Existing Processing and Distribution Center	Local Processing Center	Package Support Annex/Mail Processing Annex/Annex	Regional Processing and Distribution Center	Total
Count	3	37	3	5	6	54

Source: January 16 Response to CHIR No. 1, question 20.

The Postal Service continues to review and correct errors regarding non-matching containers with the initiative for full-service bundle visibility.¹⁴⁴ The initiative began in Quarter 2 of FY 2019 and involves correcting scans from a facility scanner that do not match the barcode on the placard/label, which occurs because of routing to the wrong facility, incorrect placard design, or incorrect scanner configuration.¹⁴⁵

The Postal Service previously described various initiatives to reduce bundle breakage rates, including a list of "strategies to reduce bundle breakage that are being examined via mailing standards improvements." Docket No. SS2022-1, October 6, 2023 Flats Plan at 7, 9, 11. The Postal Service does not include any of these initiatives in the Operational Initiative Report, and the Commission requested an update to this list. *See* CHIR No. 7, question 20. The Postal Service provides the following updates to each of the items on the list:

- "Limiting the use of string and rubber bands only to small business customers mailing lower volumes and less frequently, utilizing tubs as the alternative."
 - "Update: The Postal Service updated the *Domestic Mail Manual* [DMM],¹⁴⁶ effective as of July 1, 2025, to prohibit the use of strings and rubber bands, except for bundles of First-Class Mail flats placed in flats trays. *See* [DMM], Section 203.4.5."
- "Requiring some combination of shrink wrap and plastic bundle strapping material usage for mailers preparing bundles on pallets."
 - "Update: The Postal Service updated the [DMM], effective as of July 1, 2025, to require that bundles on pallets without polywrap coverings must be cross-strapped (encircle the length and girth of the bundle at least once) or secured

¹⁴⁴ FY 2025 Operational Initiatives Report at 5. Non-matching containers are containers that receive a scan from a facility scanner that does not match the barcode on the placard/label. *Id.*

¹⁴⁵ Docket No. ACR2019, Library Reference USPS-FY19-45, December 27, 2019, folder "Paragraph (f) -- Operational Changes Report," PDF file "Paragraph (f) Report.pdf," at 14.

¹⁴⁶ United States Postal Service, Mailing Standards of the United States Postal Service, Domestic Mail Manual (DMM), January 18, 2026.

with shrink-wrap supplemented by one or more bands. Banding includes plastic bands (recommended) or similar material. *See* [DMM], Section 203.4.9."

- "Reducing maximum bundle size and weight."
 - Update: The Postal Service is continuing to review this strategy. "Based on research and testing conducted to date, the Postal Service has found that bundles with non-identical pieces, when bundled at a height of over 3.25 inches[,] break at a higher rate.
- "Eliminate bundling of bundles."
 - "Update: Based on site visits, [the Postal Service] determined that bundling of bundles does not occur, and therefore does not need to be addressed."
- "Requiring cross banding on bundles in polywrap/shrink wrap vs one band around the width."
 - "Update: The Postal Service updated the [DMM], effective as of July 1, 2025, to require that bundles must be secured with two or more cross-strapped bands or shrink-wrapped with one or more cross-strapped bands. Banding includes plastic bands and similar materials. *See* [DMM], Section 203.4.5."
- "Requiring shrink wrap on co-mail/'[n]on-identical mailpiece' bundles."
 - Update: The Postal Service is continuing to review this strategy.

February 6 Response to CHIR No. 7, question 20.a.

The Postal Service also explains that, other than these items, it is not currently pursuing any additional strategies related to the review of the mailing standards that govern bundle preparation. *Id.* question 20.b.

The Commission commends the Postal Service for its continued efforts to pursue initiatives to improve bundle breakage. The Commission will continue to monitor initiatives related to bundle breakage and bundle preparation in future ACD proceedings.

b. Mail Processing

The Postal Service describes three initiatives related to flats mail processing on Automated Flat Sorting Machines (AFSMs). FY 2025 Operational Initiative Report at 3-4. The first, AFSM100 - Technical Refresh Phase 2, is a program that is upgrading the End of Life (EOL) computers and cameras on each AFSM 100. *Id.* at 3. This involves replacing current Optical Character Reader (OCR) cameras that have higher image quality cameras, allowing better resolution and electronics for faster transmission speeds. January 16 Response to CHIR No. 1, question 17.a. The Postal Service will also replace the 13 Image Processing Computers per AFSM 100 with 1 multi-functional IPC. *Id.* question 17.b. The Postal Service explains that this newer technology improves processing performance. *Id.* The Postal Service upgraded 27 percent of AFSM 100s in FY 2024 and upgraded the remaining 73 percent in FY 2025. January 30 Response to CHIR No. 5, question 5.b.

The second initiative relates to site-specific flats operating plans. FY 2025 Operational Initiative Report at 4. The Postal Service states that in FY 2025, it "held each flat-processing site accountable to their agreed-upon site-specific flats operating plan to streamline operations and set predictable, service-responsive, achievable goals for operational clearance times." *Id.* The Postal Service further explains that, through the National Performance Assessment (NPA), it measures the pass or failure of major operational groupings that are run within a facility via the Operating Plan Precision metric. January 16 Response to CHIR No. 1, question 18. The metrics in the NPA scorecard support the Pay for Performance program and Performance Evaluation System. *Id.*

The third initiative relates to the Postal Service's continued efforts to right-size equipment, consolidate processing, and compress sort programs. FY 2025 Operational Initiative Report at 3; *see* February 6 Response to CHIR No. 7, question 21. The Postal Service explains that AFSM 100 right-sizing is an ongoing effort in which it reduces, covers with tarps, and relocates machines. January 30 Response to CHIR No. 5, question 6.b.i. In FY 2025, the Postal Service reduced five AFSMs, tarped six, and repositioned eight, which results in costs savings for the Postal Service by reducing workhours. *Id.*

c. Tracking Manually Processed Flats

The Commission previously addressed tracking and measurement of manually processed flats in Docket No. SS2022-1. *See* Order No. 8436 at 74-78; *see also* Order No. 9398 at 30-35. The discussion below provides an update since that proceeding.

The Postal Service previously stated that it began the exploration phases of a special study to estimate function one (F1) manual flats productivity and that it hopes to establish data collection guidelines by the end of FY 2025 and to conduct an initial beta test in early FY 2026. Docket No. SS2022-1, June 25, 2025 Response at 12. The Commission requested an update on this special study and the Postal Service reports that it has not yet established firm data collection guidelines and has not conducted a beta test. *See* January 23 Response to CHIR No. 1, question 25. However, the Postal Service indicates that it has conducted preliminary analysis using data from the Enterprise Data Warehouse (EDW) and the Web End-of-Run (WebEOR) to identify manual flats groups and the facilities processing those groups. *Id.* The Postal Service notes that these activities do not constitute a beta test, as work related to the potential study of F1 manual labor productivity remains in the nascent stages. *Id.* The Postal Service reports significant challenges related to the evolving process of flats processing, significant heterogeneity across facilities, and limitations associated with traditional measurement techniques. *Id.* The Postal Service also states that, despite these challenges, it remains committed to conducting a special study to develop a model to accurately estimate and measure F1 manual productivities and reiterates its longer-term objective of initiating a rulemaking docket relative to the F1 manual productivities by FY 2028. *Id.*

Thus, the Commission notes that as of the end of FY 2025, there are no changes to the tracking of manually processed flats. In addition, the Commission observes that the Postal Service has not yet established any firm data collection guidelines as previously anticipated.

The Commission will review the methodology for the special study (once the Postal Service finalizes it and files as a rulemaking proposal) and also continue monitoring the progress of tracking manually processed flats in the FY 2026 ACD. *See* Order No. 9398 at 35, 38.

The Commission recognizes the Postal Service's efforts and progress in developing the special study to estimate F1 manual flats productivities. The Commission will continue to monitor progress on this initiative in future ACD proceedings.

3. Network Redesign

In the Docket No. SS2022-1, Flats Study, the Commission identified a number of inefficiencies related to the Postal Service network structure. *See* Order No. 8436 at 78 (citing Docket No. SS2022-1, Flats Study at 33-37). The Postal Service responded that the new network of regional processing and distribution centers (RPDCs) and local processing centers (LPCs) would provide a standardization of processing, which, in its turn, will eliminate the complexity observed by the Commission. *Id.* at 79 (citing Postal Service Docket No. SS2022-1, October 6, 2023 Flats Plan at 6). The Commission analyzed two RPDC regions that provided conflicting conclusions on potential transportation savings. *Id.* at 87-91. The Commission then concluded that the network redesign was too early in the process to fully understand and realize cost savings. *Id.* at 91. Therefore, the Commission stated it was essential to continue monitoring transportation costs. *Id.*

In this section, the Commission provides an update on the network redesign and potential impact on flats transportation costs and inefficiencies.

As part of the change to the transportation network, the Postal Service planned to shift volume from the air network to the surface network noting that surface transportation would be more efficient and less costly compared to the air network. DFA Second-Year Progress Report at 31. The Postal Service also set the overall goal of DFA to consistently meet service performance targets and achieve financial sustainability. *See id.*

In FY 2025, in response to the Postal Service's filed request, the Commission issued an advisory opinion concerning processing operations initiatives, regional transportation optimization (RTO), and the RPDC/LPC network redesign.¹⁴⁷ The Postal Service implemented RTO gradually throughout the country to improve middle-mile processing operations for products of all shapes, including flats, allowing the Postal Service to dispatch them earlier from postal processing facilities, and for the logistics network to reach further. FY 2025 ACR at 18-19. The network redesign remains ongoing in FY 2025 and into FY 2026.

¹⁴⁷ *See* Docket No. N2024-1, Advisory Opinion on the Operational and Service Standard Changes Related to the Delivering for America Plan, January 31, 2025 (Docket No. N2024-1, Advisory Opinion).

a. RPDC, LPC, and Sorting and Delivery Center (S&DC) Updates

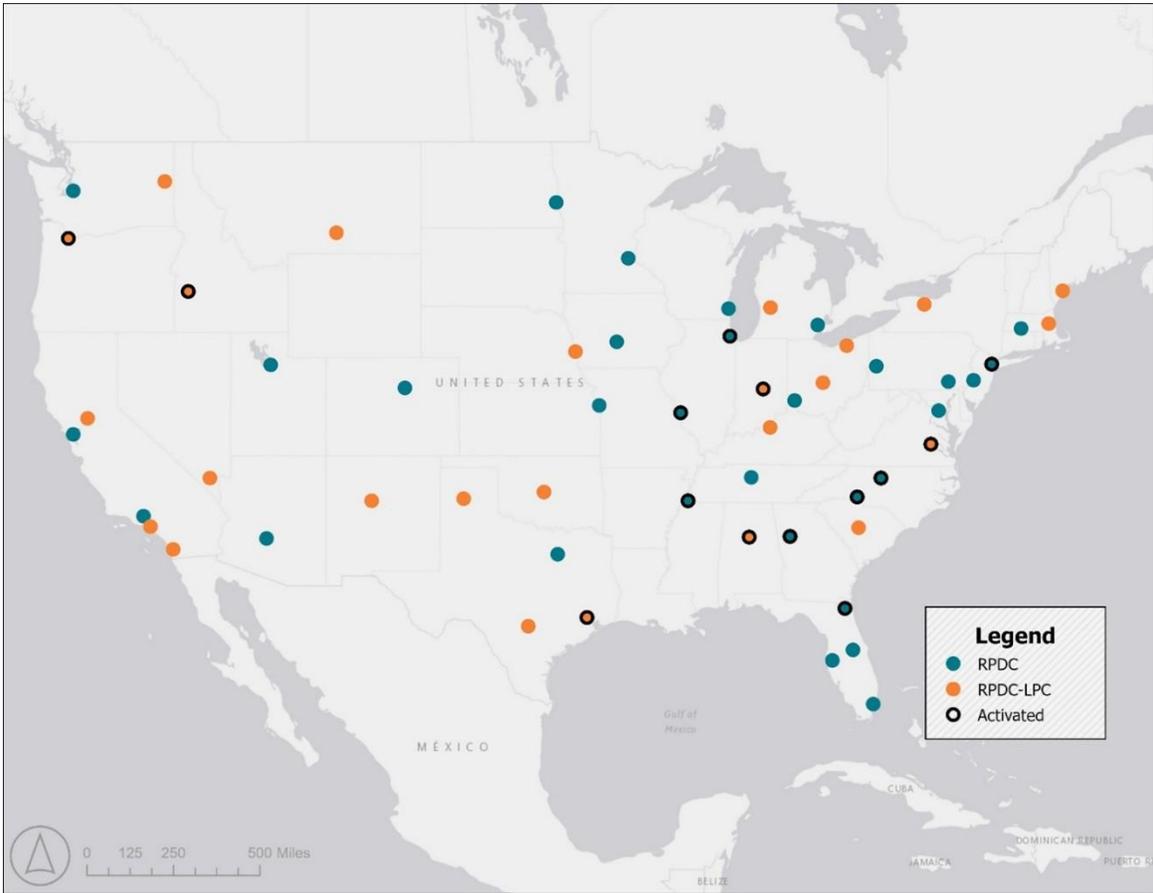
In FY 2025, the Postal Service vacated excess facilities while investing in modern facilities, improved processing capabilities, and aligned operations across the network. FY 2025 ACR at 18-19. The Postal Service continued insourcing Surface Transfer Centers (STCs) and Terminal Handling Services (THS) into RPDCs that also function as Regional Transfer Hubs (RTHs). In FY 2024, the Postal Service implemented the RTH initiative, which speeds up mail consolidation and dispatch.¹⁴⁸ RTHs are intended to decrease the number of trips needed to move mail across the country, thereby reducing transportation costs for flats and other mail shapes. As of FY 2025, the Postal Service has 18 active RTHs, which are co-located with RPDCs. OIG Report No. 25-107-R26 at 4.

The Postal Service outlined two factors related to RPDCs, LPCs, and S&DCs that contributed to the missing FY 2025 service performance targets.

- **Transit Realignment.** In FY 2025, the Postal Service experienced temporary shifts in mail processing flows, operations, and transportation. Due to overdue capital investments and repairs to existing processing facilities, dispatch locations were adjusted and the Postal Service opened new processing buildings. The changes resulted in service deviations and transit failures. FY 2025 ACR at 20.
- **Span of Control Positioning.** In FY 2025, the Postal Service added four Mail Processing Divisions to the original 13 Mail Processing Divisions to create smaller, more nimble divisions that provide greater engagement in plant operations. In July 2025, the Postal Service added a third Central Processing region to reduce the size and span of each existing region. The Postal Service states the changes will improve service but will result in temporary service impacts as they are implemented. *Id.* at 20-21.

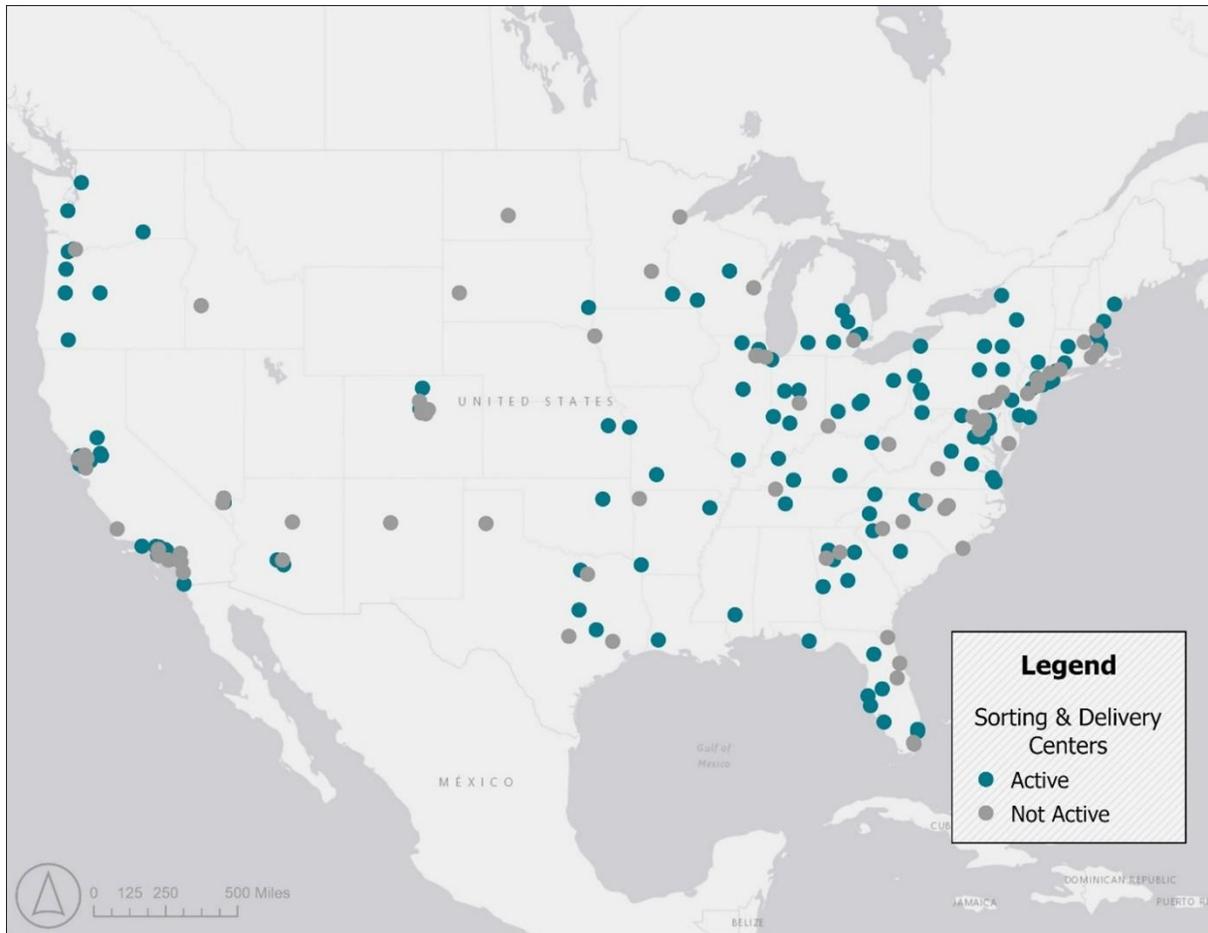
¹⁴⁸ United States Postal Service, Office of Inspector General, Report No. 25-107-R26, The OIG's Oversight of the U.S. Postal Service's Delivering for America Plan - Volume 3, January 20, 2026, at 4, available at <https://www.uspsoig.gov/sites/default/files/reports/2026-01/25-107-r26.pdf> (OIG Report No. 25-107-R26).

Figure VII-6
Map of RPDCs and RPDC-LPCs Activated as of January 2026



Source: January 30 Response to CHIR No.1, folder "Question 30_CHIR 01_ACR 2025," Excel file "RPDC LPC Update Public.xlsx."

Figure VII-7
Map of S&DCs Activated as of FY 2025



Source: January 16 Response to CHIR No. 1, folder "Question 29_CHIR 01_ACR 2025," Excel file "ChIR 1 Q29 SDC Sites through 2026.xlsx."

As of FY 2025, the Postal Service has activated 13 out of the 60 planned RPDCs, 58 of the 190 LPCs, and 101 of the 150 planned S&DCs. OIG Report No. 25-107-R26 at 3. Figure VII-6 shows the location of every RPDC and RPDC-LPC and whether it is activated. Figure VII-7 shows the locations of every S&DC and whether it is activated.

Table VII-8
Percent Change in Air and Highway Transportation Costs, FY 2024–FY 2025

Domestic Costs	Air	Highway	Total Transportation Costs
Market Dominant	46.7%	-0.9%	7.6%
Competitive	-27.2%	-0.1%	-10.3%

Note: Total Transportation Cost includes Air, Highway, Domestic Alaska Air, Railroad, and Domestic Water.

Source: Library Reference PRC-LR-ACR2025-10.

In rolling out RPDCs and LPCs, the Postal Service has encountered numerous challenges, including unexpected gridlock during high volume seasons.¹⁴⁹ Table VII-8 shows the change in air and highway transportation costs between FY 2024 and FY 2025 for domestic Market Dominant products and domestic Competitive products. Transportation diversion from air to surface did not materialize in FY 2025. Table VII-8 shows that air transportation costs for domestic Market Dominant products rose by 46.7 percent (from \$295 million to \$433 million) between FY 2024 and FY 2025. See Library Reference PRC-LR-ACR2025-10.

Table VII-9
Percent Change in Air and Highway Transportation Costs for First-Class Mail Flats and USPS Marketing Mail Flats, FY 2024–FY 2025

Flats	Air	Highway	Total Transportation Costs
First-Class Mail	65.5%	-2.0%	9.9%
USPS Marketing Mail	71.6%	-3.9%	2.0%

Note: Total Transportation Cost includes Air, Highway, Domestic Alaska Air, Railroad, and Domestic Water costs.

Source: Library Reference PRC-LR-ACR2025-10.

¹⁴⁹ See United States Postal Service, Office of Inspector General, Report No. 24-050-1-R24, Mail Conditions at South Houston Local Processing Center, April 10, 2024, available at <https://www.uspsoig.gov/sites/default/files/reports/2024-04/24-050-1-r24.pdf>.

This shift from highway to air affected two flats products: (1) First-Class Mail Flats; and (2) USPS Marketing Mail Flats. The increase in air transportation costs for these two flats products is greater than the overall change for domestic Market Dominant products. Table VII-9 shows that air transportation costs for First-Class Mail Flats increased by 65.5 percent (from \$37 million to \$62 million) and for USPS Marketing Mail Flats they increased by 71.6 percent (from \$9.5 million to \$16 million) between FY 2024 and FY 2025.

These increases in air transportation costs are due to the increase in volume transported by air for these two flats products. Between FY 2024 and FY 2025, the volume of First-Class Mail Flats transported by air increased by approximately 97 percent (from 30.3 million pounds to 59.7 million pounds). February 6 Response to CHIR No. 7, question 18. In the same period, the volume of USPS Marketing Mail Flats transported by air increased by approximately 139 percent (from 5.9 million pounds to 14.2 million pounds).¹⁵⁰ The Postal Service explains that the increases in First-Class Mail Flats and USPS Marketing Mail Flats volumes transported by air were due to the decision to fly certain lanes of First-Class Mail to maintain the optimal pricing tier given the structure of the air contract. *Id.* question 18.a.i.

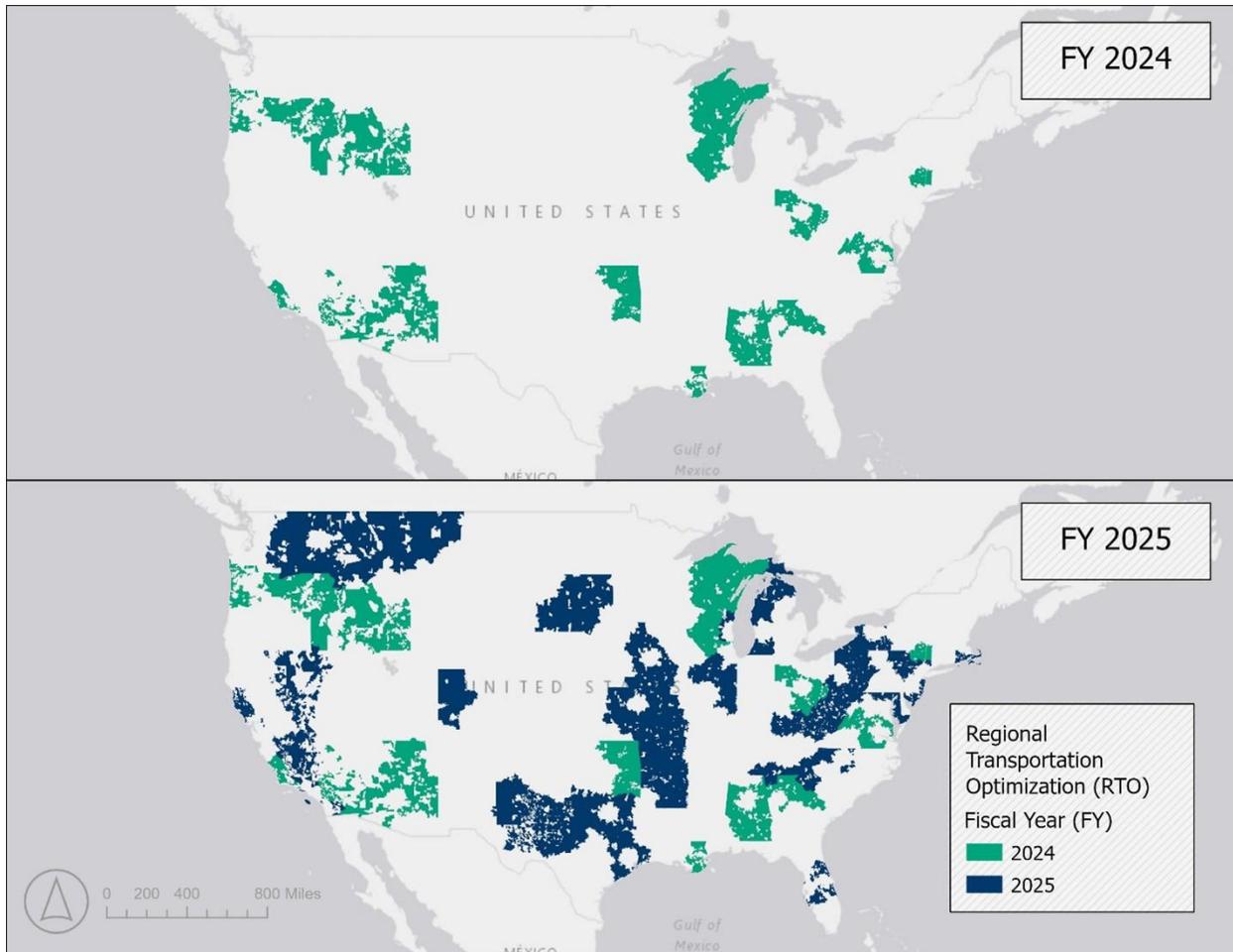
b. RTO Updates

In FY 2025, the Postal Service continued to implement RTO in regions throughout the country to rationalize local transportation and aiming to improve the middle-mile processing operations.¹⁵¹ Overall, the goal of RTO is to reduce trips and increase mail volume per trip. OIG Report No. 25-107-R26 at 4.

¹⁵⁰ February 6 Response to CHIR No. 7, question 18.b. The Commission notes that a 139 percent increase reported by the Postal Service is likely from the results of calculating the percent change before rounding the volume numbers to 5.9 million and 14.2 million. *Id.*

¹⁵¹ FY 2025 ACR at 19; *see* Figure VII-8. The RTO initiative reduces underutilized trips to and from Post Offices that are over 50 miles from an RPDC. *See* Docket No. N2024-1, Advisory Opinion at 104-05.

Figure VII-8
5-Digit ZIP Codes Affected by RTO Implementation, FY 2024–FY 2025



Sources: January 16 Response to CHIR No. 1, folder "Question 28_CHIR 01_ACR 2025," Excel file "Q28_RTO PO Total Routes.xlsx;" Docket No. RM2025-9 and PI2025-2, United States Postal Service Notice of Filing Ninth Report in Compliance with Order No. 8761, January 2, 2026, folder "RM2024-9_USPS_Ninth_Report," Excel file "USPS_Ninth_Report_Part 2.xlsx."

In early FY 2025, the Postal Service designated 28,237 5-Digit ZIP Codes to be part of the RTO initiative.¹⁵² By the end of FY 2025, the number of 5-Digit ZIP Codes that were part of RTO increased by 303 to 28,540.¹⁵³ In FY 2024 and FY 2025, the Postal Service implemented the RTO in 10,026 5-Digit ZIP Codes, leaving 18,514 5-Digit ZIP Codes (or 64.9 percent of the ZIP Codes designated to be part of RTO initiative) for future RTO implementation.

The Postal Service experienced challenges in areas with RTO, like unfeasible transportation schedules and transportation trips that did not align with the schedule.¹⁵⁴ Despite challenges in implementing RTO, between FY 2024 and FY 2025, Intra-Sectional Center Facility (Intra-SCF) highway transportation cost decreased by 15.9 percent (from \$566 million to \$476 million). *See* Table VII-10. Intra-SCF highway transportation cost decreased by 24.6 percent and 25.9 percent for First-Class Mail Flats and USPS Marketing Mail Flats, respectively. *Id.* The cost decrease stems from multiple sources, one being implementing RTO along with other network operation initiatives. February 6 Response to CHIR No. 7, question 24.

Table VII-10
Intra-SCF Cost, in \$(000), FY 2024–FY 2025

	FY 2024	FY 2025	Change
First-Class Mail Flats	\$68,606	\$51,733	-24.6%
USPS Marketing Mail Flats	\$64,065	\$47,444	-25.9%
Total Intra-SCF Highway	\$566,480	\$476,485	-15.9%

Source: Library Reference PRC-LR-ACR2025-10.

¹⁵² Docket No. N2024-1, Library Reference USPS-LR-N2024-1_3, October 7, 2024, folder "USPS-LR-N2024-1-3," folder "Market Dominant SSD Changes," Comma Separated Value file "Market Dominant SSD Changes 10.1.csv."

¹⁵³ February 6 Response to CHIR No. 5, folder "Question 08_CHIR 05_ACR 2025," Excel file "FY25 ChIR 5 Q8 RTO PO Total Routes_Revised.xlsx."

¹⁵⁴ United States Postal Service, Office of Inspector General, Report No. 25-057-R25, Network Changes: Local Transportation Optimization in the New Orleans Region, September 9, 2025, available at <https://www.uspsaig.gov/sites/default/files/reports/2025-09/25-057-r25.pdf> (OIG Report No. 25-057-R25).

Table VII-11
RTO and Leg 2 Transportation Cost Estimates, FY 2023–FY 2025¹⁵⁵

RTO Impact	FY 2023	FY 2024	FY 2025
Postal Vehicle Service (PVS)	\$816,684,542	\$902,627,126	\$1,027,459,002
Contracted Transportation	\$2,001,084,797	\$1,916,266,639	\$1,673,443,806
Air	-	-	-
Total RTO Impact	\$ 2,817,769,339	\$ 2,818,893,765	\$ 2,700,902,808
Leg 2 Impact	FY 2023	FY 2024	FY 2025
Postal Vehicle Service (PVS)	\$357,895,353	\$366,138,894	\$387,941,105
Contracted Transportation	\$3,648,903,48	\$3,261,718,966	\$3,636,873,498
Air	\$2,529,799,615	\$1,909,528,953	\$1,480,323,207
Total Leg 2 Impact	\$ 6,536,598,416	\$ 5,537,386,813	\$ 5,505,137,810
Combined Impact Total	\$ 9,354,367,755	\$ 8,356,280,578	\$ 8,206,040,618

Source: Library Reference PRC-LR-ACR2025-10.

The Postal Service has measured RTO success using reduction of miles and trips, and the reduction of driver hours, but did not track actual cost savings. OIG Report No. 25-057-R25 at 17. In Docket No. N2024-1, the Postal Service provided a baseline for transportation costs for RTO and Leg 2 with the overall cost estimate of \$9.4 billion in FY 2023.¹⁵⁶ In FY 2025, the RTO and Leg 2 overall transportation cost was \$8.2 billion, compared to \$8.4 billion in FY 2024, a 1.8 percent decrease in this cost. *See* Table VII-11.

c. Commission Analysis

The Commission commends the Postal Service for proactively addressing longstanding issues like service performance, costly transportation, and inefficiency at processing facilities. However, based on the rise in air transportation costs for Market Dominant products, the Commission does not agree that the Postal Service has minimized its reliance on air service. The Commission is concerned with the lack of cost savings tracking for the RTO initiative. Additionally, the implementation of RTO throughout the country has resulted in severe declines in service performance that the Postal Service has yet to remedy.

¹⁵⁵ Leg 2 transportation refers to the process of transporting mail from the origin facility to the destination facility. *See* Docket No. N2024-1, Advisory Opinion at 131.

¹⁵⁶ *See* Table VII-11. *See also* Docket No. N2024-1 Advisory Opinion at 131; Docket No. N2024-1, Direct Testimony of Curtis Whiteman on Behalf of the United States Postal Service, October 4, 2024 (USPS-T-5), at 10-11.

The Commission recommends the Postal Service create a better system for tracking cost-savings associated with RTO as well as attempt to create a better balance of implementing network changes without the detriment of poor service performance.

4. Other Operational Changes

a. Data Quality Improvement

In Docket No. SS2022-1, the Postal Service described and the Commission evaluated the Efficiency Index model as a data quality improvement for flat-shaped productivities over the old LDC productivity model. *See* Docket No. SS2022-1, October 6, 2023 Flats Plan at 11-12. The Commission recommended that the Postal Service develop additional data tools to identify sources of inefficiencies to accommodate the high-level insights provided by the Efficiency Index model. *See* Order No. 9398 at 37. In the FY 2025ACR, the Postal Service states that it has not developed any additional tools or reporting practices related to the Efficiency Index model to assist managers in identifying root causes of inefficiencies. *See* February 13 Response to CHIR No. 8, question 11.

The Commission observes that, in FY 2025, certain operation level data in the Management Operating Data System (MODS) continue to reflect discrepancies in reported workhours for AFSMs operations.¹⁵⁷ The Postal Service explains that the Work Hour Efficiency Management System (WEMS) applications ensure reporting accuracy by measuring productivity at an aggregate level rather than at the individual sort plan or operation level. *See* February 13 Response to CHIR No. 8, question 10. The Postal Service states that while MODS captures data by specific operation numbers, WEMS groups these data into broader Mail Processing Variance (MPV) category level to mitigate the impact of clocking errors. *Id.* The Postal Service further states that clocking errors occurring within operations that fall under the same MPV category do not affect the resulting productivity. *Id.*

The Commission notes, however, that the Postal Service does not specify whether the identified clocking discrepancies occur exclusively within a single MPV category or whether such discrepancies span multiple MPV categories. To the extent discrepancies occur across MPV categories, the potential implications for productivity measures are not addressed.

While the Postal Service's explanation clarifies how productivity is calculated at an aggregate level, accurate operation level reporting remains important for identifying potential root causes of inefficiencies.

The Commission encourages the Postal Service to continue improving its internal data controls and to further assess the quality and consistency of operational level data. The Commission will continue to monitor the Postal Service's efforts to improve its data quality in future ACD proceedings.

¹⁵⁷ Docket No. SS2022-1, Responses of the United States Postal Service to Questions 1-10 of Chairman's Information Request No. 16, July 23, 2025, question 10.

b. Improvements in Allied Operations, Transportation, and Delivery

In FY 2025, the Postal Service utilized the GRID initiative to reduce the amount of time mail spends in allied operations (called cycle time or Work-in-Process)¹⁵⁸ and improve service performance. FY 2025 Operational Initiatives Report at 5. The GRID initiative "is a manually developed visualization timeline used to indicate where plants are experiencing delays in scheduled mail processing." Section e.9 Narrative at 3. The Postal Service implemented site specific operating plans at all sites to reduce idle time in the AFSM processing window to meet dispatch times. January 30 Response to CHIR No. 5, question 6.

The Postal Service previously described its network distribution center (NDC) unwind initiative as a cost reduction tool aiming, among other things, to improve processing efficiencies of flats and reduce redundant transportation. Order No. 8436 at 71-72; *see* Postal Service October 6, 2023 Flats Plan at 14. The Postal Service states that the NDC unwind initiative affected products that utilized NDC transportation, such as Periodicals, and transportation costs declined for many products between FY 2023 and FY 2024. January 23 Response to CHIR No. 2, question 28. However, in FY 2025, transportation costs increased again after the completion of this initiative. *See* Section VII.E.6.

As part of the DFA Plan, the Postal Service will continue to scale the Postal Vehicle Operator (PVO) program, which involves insourcing transportation operations that were previously outsourced. FY 2025 ACR at 26. In FY 2025, the Postal Service focused on improving Last Mile (Leg 3)¹⁵⁹ performance through operating precision for automated delivery point sequence (DPS) and Carrier Route sequence sorting. By using automated sorting to delivery point, carriers spend less time manually casing mailpieces. January 30 Response to CHIR No. 5, question 7.

The Commission recommends the Postal Service begin collecting data and providing analysis on operational initiatives, including GRID and PVO to evaluate their cost impacts.

c. Other Operational Changes

In addition to the initiatives discussed above, the Postal Service also continues its initiative to develop Standard Work Instructions (SWI).

In FY 2025, the Postal Service created an on-line repository for all SWIs. *See* FY 2025 Operational Initiatives Report at 4. This single, web-based location is available to all operations partners and contains up-to-date instructional documents for all flat-based operations. *Id.* The Postal Service explained that this initiative aims to improve processing in automation and reduce the manual handling that results from inefficient processing. *See*

¹⁵⁸ *See* Library Reference USPS-FY25-45, folder "Rule 3050.50 Flats," folder "e.9 Trend Narrative.PRC.LR.9 Update," PDF file "FY25-45 3050.50 e.9 Narrative.pdf" (Section e.9 Narrative).

¹⁵⁹ For details regarding changes in terminology from Last Mile to Leg 3, *see*, e.g., Order No. 8942 at 7.

Docket No. SS2022-1, October 6, 2023 Flats Plan at 14. This initiative will continue in FY 2026. *See* FY 2025 Operational Initiatives Report at 4.

The Commission remains concerned that the Postal Service continues to implement flat-related operational initiatives without establishing quantitative measures to evaluate their individual impacts on flats costs or service performance.

The Commission recommends the Postal Service establish measurable criteria associated with developing SWI. The Commission recommends the Postal Service starts data collection to evaluate the impact of SWI on flats costs.

5. Cost Impact of Methodological Changes

The Postal Service identifies five methodological changes that affected flat-shaped mail products in FY 2025.¹⁶⁰

- a. Labor Productivities for Non-Mods Manual Distribution Using eFlash Data

The first methodological change involved a change in the measurement of labor productivity for manual flat operations in Docket RM2025-4.¹⁶¹ The Commission approved the proposed change in the methodology related to the shape-specific labor productivity data for non-MODS manual distribution activities. *See* Order 8713 at 9. The Postal Service replaced direct measurement of manually processed pieces with eFlash-based aggregate volumes and converted the total non-MODS flats cost pool into hours using the mail processing wage rates. *See* FY25 Paragraph G Data Enhancements at 1. The Postal Service expects the impact of this change to be less on flats than on parcels, due to more volume bypassing manual operations for automation, presorting to carrier route, etc. *Id.*

The Postal Service provided estimated effects of the eFlash-Based Manual Function 4 Flats productivity on First-Class Mail, USPS Marketing Mail and Periodical unit costs using FY 2023 data. The estimated effects on First-Class Mail unit costs range from -10.4 percent to 2.8 percent across price categories. The estimated effects on USPS Marketing Mail flat unit costs range from -3.1 percent to 6.0 percent across price categories. The estimated effects on Periodicals range from -46.0 percent to 5.9 percent across bundle level and barcode-machinability. *See id.* at 2.

¹⁶⁰ *See* Library Reference USPS-FY25-45, folder "Paragraph (g) – Data Enhancement Report," PDF file "FY25.Paragraph G Data Enhancements.pdf" (FY25 Paragraph G Data Enhancements).

¹⁶¹ Docket No. RM2025-4, Order Approving Analytical Principles Used in Periodic Reporting, February 21, 2025 (Order No. 8713).

b. Updated Facility Rental Analysis

The second methodological change involved an update to the Facility Rental Analysis in Docket No. RM2025-6,¹⁶² used in the FY 2025 ACR. The Postal Service switched from the simplified Facility Rental Analysis completed in 1992 to the use of eFMS rental cost data that does not rely on sampling methods. *See* FY25 Paragraph G Data Enhancements at 3. The Postal Service indicates that the update eliminated the need for sampling and subjective inputs like capitalization rates and rent change factors and improves the quality, accuracy, and completeness of the data, resulting analysis, and the representation of market value rental rates for each operation and function. *Id.* The Postal Service also states that, if applied to FY 2023 data, the impact of this update would decrease the estimated attributable cost for Market Dominant and Competitive products by 2.12 percent and 1.53 percent, respectively. *Id.* at 3-4, Table 3.

c. Modifications to the Revenue, Pieces, and Weight Reporting Methodology

The third methodological change, approved in Docket No. RM2025-10,¹⁶³ involved modifications to the Revenue, Pieces, and Weight (RPW) reporting methodology to replace Origin Destination Information System (ODIS)-RPW statistical sampling estimates with corresponding census transactional data for measuring the national totals of non-contract mailpieces in domestic mail categories bearing PC Postage indicia. *See* FY25 Paragraph G Data Enhancements at 5; *see also* Order No. 9025 at 1-2, 4. The Postal Service states that this change improves reporting of PC Postage revenue and volume in terms of the level and measures of precision and provides more granularity in the underlying report data. *See* FY25 Paragraph G Data Enhancements at 5.

d. Modifications to Marketing Mail and Periodicals Product Descriptions, Updated Benchmark Prices for Workshare Discounts, Etc.

The Postal Service reports two methodology changes (Proposal Two and Proposal Three) approved in Docket No. RM2025-11¹⁶⁴ that affected flat-shaped mail. FY25 Paragraph G Data Enhancements at 5.

- *Proposal Two.* This fourth methodological change simplified Outside County Periodical prices to align with USPS Marketing Mail per-piece and per-pound rates. *Id.* The Postal Service implemented this change with the proposal of zone pound pricing for origin-entered pieces, elimination of bundle and container prices, and simplification of containerization discounts. *Id.* In addition, "Proposal Two

¹⁶² Docket No. RM2025-6, Order on Analytical Principles Used for Periodic Reports Concerning Updated Facility Rental Analysis, FY 2025, March 14, 2025 (Order No. 8737).

¹⁶³ Docket No. RM2025-10, Order on Analytical Principles Used for Periodic Reports Concerning Revenue, Pieces, and Weight Methodology, July 17, 2025 (Order No. 9025).

¹⁶⁴ Docket Nos. MC2025-1483 and RM2025-11, Order Approving in part Changes to Analytical Principles and Product Descriptions and Ordering Further Proceedings on Proposal One and Periodicals Zone-based Pricing, August 14, 2025 (Order No. 9086).

introduced delivery sort container and sectional center facility (SCF) pallet discounts." *Id.* "Duplicative" area distribution center (ADC) presort rates for certain products and price categories in First-Class Mail, USPS Marketing Mail, and periodicals were eliminated. *Id.* at 5-6.

- *Proposal Three.* This fifth methodological change revised benchmarks for First-Class Mail, USPS Marketing Mail, and Periodicals workshare discounts for which the ADC currently serves as a benchmark. *Id.* at 6. The Postal Service introduced this change to improve the quality, accuracy, and completeness of the data used to calculate the workshare relationships affected by the elimination of ADC presort prices. *Id.* Table 4.

e. Commission Analysis

The Commission notes that in FY 2025, the Postal Service implemented multiple methodological changes that affected cost attribution and reporting for flats. As a result, reported unit attributable costs for flat-shaped mail products in FY 2025 reflect the combined effects of approved methodological updates and actual changes in costs incurred by the Postal Service. The Commission observes that while the Postal Service provides quantified estimates of the impact of certain methodological changes based on FY 2023 data, it does not provide the FY 2025 specific quantification of the effect of individual methodological changes on unit attributable costs. The Commission notes that methodological changes affect measures of costs and their attribution to products in the cost model, but they do not substitute operational initiatives that directly aim to reduce the Postal Service's overall costs.

E. Inefficiencies in Collection, Processing, Transportation, and Delivery of Flats

1. Introduction

In the FY 2015 ACD, the Commission identified and analyzed six "pinch points" that contribute to cost and service issues for flats:

- Bundle processing
- Low productivity on automated equipment
- Manual sorting
- Productivity and service issues in allied operations
- Increased transportation time and cost
- Last mile/delivery

FY 2015 ACD at 165.

In Docket No. RM2018-1, the Commission developed specific reporting requirements related to each pinch point. *See* Order No. 5086. The Commission has evaluated the data reported for these pinch points in past ACDs, the Docket No. SS2022-1, Flats Study, and in several orders in response to the Postal Service's plans to address inefficiencies in these areas.¹⁶⁵ In this section, the Commission discusses trends in metrics related to each pinch point and recommends areas where the Postal Service should focus its resources and/or provide additional reporting in future years.

2. Bundle Processing

a. Bundle Breakage Rates

Table VII-12 shows the number of total bundles processed from FY 2021 to FY 2025.

Table VII-12
Number of Bundles Processed and Broken, FY 2021–FY 2025

Bundles	Periodicals		USPS Marketing Mail	
	Broken	Processed	Broken	Processed
FY 2021	4,697,416	103,949,103	15,831,454	222,331,065
FY 2022	4,816,179	101,010,654	15,929,003	215,229,785
FY 2023	4,522,072	92,241,627	13,551,499	183,234,770
FY 2024	4,182,698	88,725,362	9,716,015	142,951,745
FY 2025	3,924,400	73,160,138	10,148,108	128,793,372
FY 2024 to FY 2025 Percent Change	-6.2%	-17.5%	4.4%	-9.9%

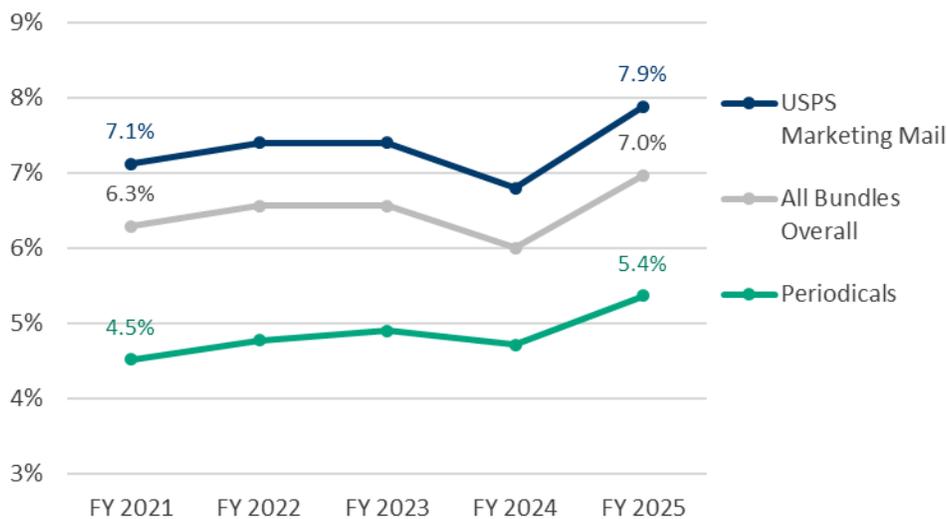
Source: Library Reference PRC-LR-ACR2025-10.

The total number of bundles processed decreased between FY 2021 and FY 2025, but in each year except FY 2024, the number of broken bundles did not decrease at a comparable rate. Between FY 2024 and FY 2025, the number of Periodical bundles processed decreased by 17.5 percent, but the number of broken Periodical bundles decreased by only 6.2 percent. *See* Table VII-12. In the same period, the number of broken USPS Marketing Mail bundles increased by 4.4 percent despite a 9.9 percent decrease in the number of USPS Marketing Mail bundles processed. *Id.* Therefore, the overall bundle breakage rate for Periodical and USPS Marketing Mail bundles combined increased by 1 percentage point in FY 2025 after experiencing a decrease in the year before. *See* Figure VII-9. Between FY 2024 and FY 2025, the bundle breakage rate for Periodical bundles increased by 0.6 percentage points while the bundle breakage rate for USPS Marketing Mail increased by 1.1 percentage

¹⁶⁵ FY 2019 ACD at 161-74; FY 2020 ACD at 236-62; FY 2021 ACD at 241-62; Docket No. SS2022-1, Flats Study at 24; Order No. 8436 at 6; 20-160; Order No. 9398 at 13-38.

points. *Id.* Both increases offset the decreases between FY 2023 and FY 2024, resulting in a net increase of 0.5 percentage points in the bundle breakage rates between FY 2023 and FY 2025 for both Periodicals and USPS Marketing Mail. *Id.* These increases occurred despite the Postal Service's continued efforts to improve mailer communication regarding mail irregularities and improve bundle integrity. *See* Order No. 8436 at 8-11 (citing Docket No. 2022-1, October 6, 2023 Flats Plan at 7-11); *see also* Section VII.D.2.

Figure VII-9
Bundle Breakage Rates, FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-10.

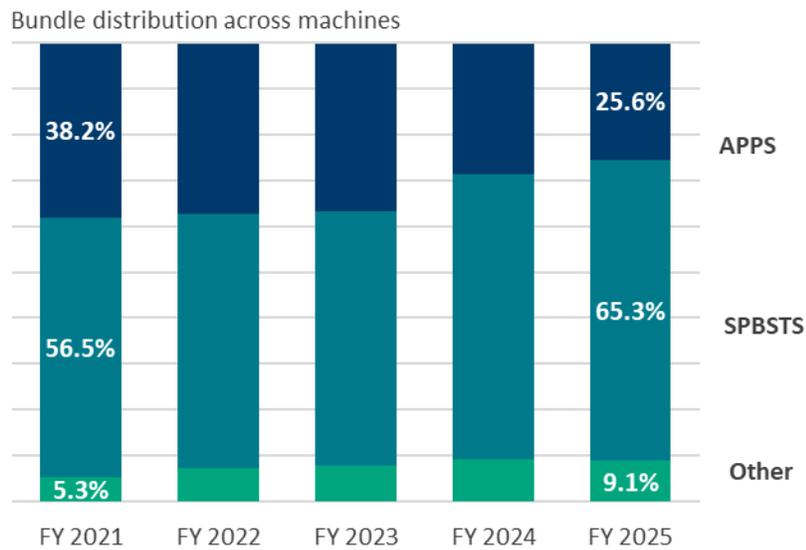
USPS Marketing Mail bundles break more frequently than Periodicals bundles and drive up the overall bundle breakage rate. *See* Figure VII-9. In FY 2025, 7.0 percent of bundles overall broke during mail processing and required additional processing on AFSMs or costlier manual processing. *See* Figure VII-9; *see also* January 30 Response to CHIR No. 5, question 2.

While bundles are processed on six different types of machines, most bundles, 90.9 percent, were processed on the Automated Package Processing System (APPS) and Small Package and Bundle Sorter Tracking System (SPBSTS) in FY 2025. *See* Figure VII-10. The Postal Service states that none of the six machines are specifically designed for bundle processing. February 13 Response to CHIR No. 8, question 8. The Postal Service also states that the drop heights of APPS and SPBSTS do not differ by more than one foot. *Id.* Instead, the main differences are that the SPBSTS¹⁶⁶ operates at a lower speed requiring manual operations, while APPS operates at a higher speed with higher throughput and an automated induction system. February 13 Response to CHIR No. 8, question 8. Since FY 2021, bundle processing

¹⁶⁶ The Postal Service also refers to the SPBSTS as the Automated Parcel and Bundle Sorter (APBS), which is the updated name of the machine after upgrading the SPBSTS in 2011. *See* United States Postal Service, 2010 Comprehensive Statement on Postal Operations, 2010 Performance Report and 2011 Performance Plan, Chapter 3, available at https://about.usps.com/strategic-planning/cs10/CSPO_12_2010_FINAL_034.htm.

has shifted from APPS to SPBSTS. *See* Figure VII-10. Between FY 2021 and FY 2024, bundles broke slightly less frequently on the SPBSTS compared to the APPS. *See* Figure VII-11. However, in FY 2025, the difference between the APPS and SPBSTS bundle breakage rates shrunk to only 0.2 percentage points.¹⁶⁷ Therefore, the differences between the APPS and SPBSTS described above are no longer reflected in the bundle breakage rates on these two machines.

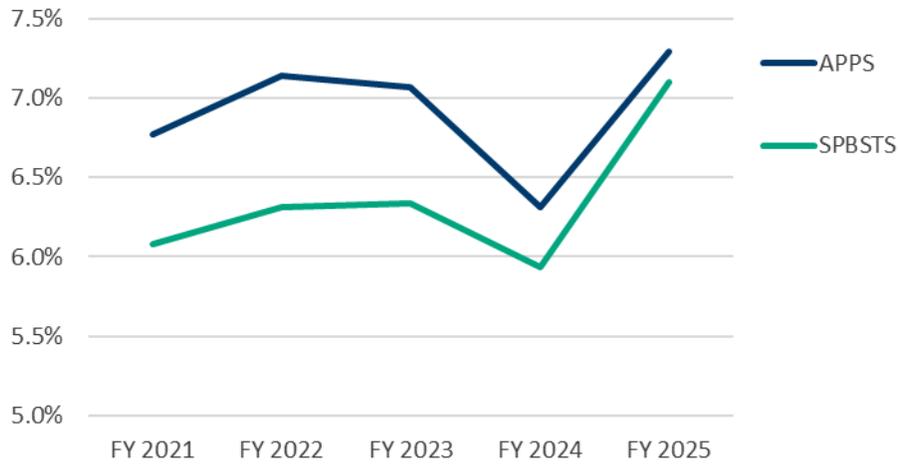
Figure VII-10
Distribution of Bundles Processed, FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-10.

¹⁶⁷ *See* Figure VII-11. *See also* Library Reference PRC-LR-ACR2025-10. For Periodical bundles, the APPS bundle breakage rate is 1.2 percentage points higher than the SPBSTS bundle breakage rate. For USPS Marketing Mail, the APPS bundle breakage rate is 0.4 percentage points lower than the SPBSTS bundle breakage rate. *Id.*

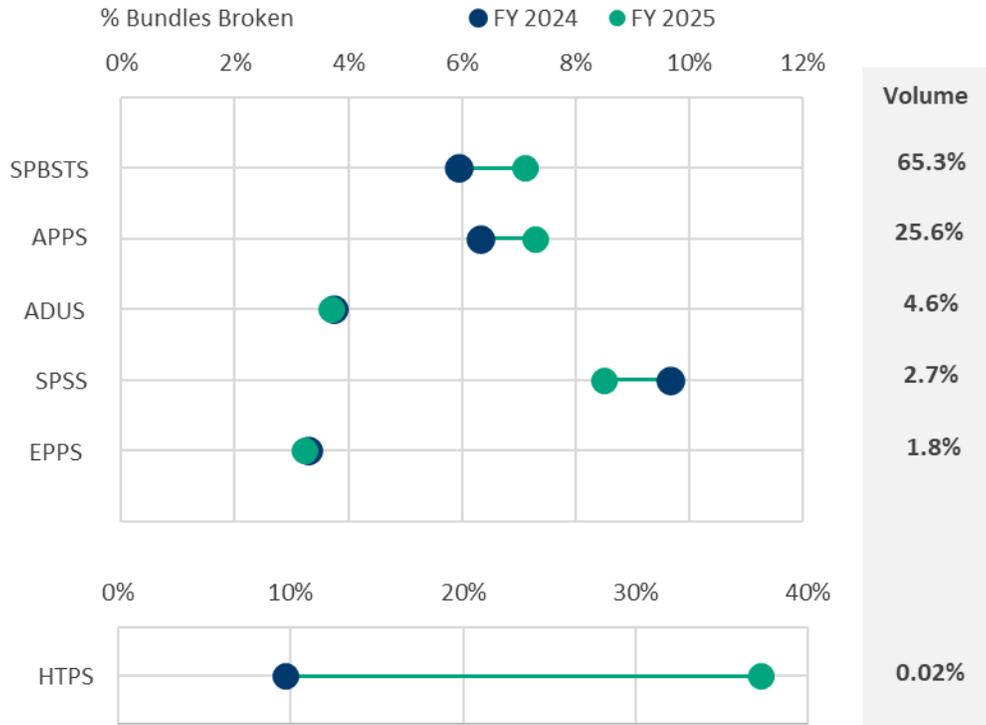
Figure VII-11
APPS and SPBSTS Bundle Breakage Rates, FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-10.

Figure VII-12 shows the change in bundle breakage rates for all six machines from FY 2024 to FY 2025. Between FY 2024 and FY 2025, the High Throughput Package Sorter (HTPS) experienced the largest increase in bundle breakage rate, but the HTPS equipment processed only 0.02 percent of all bundles in FY 2025, so it does not contribute significantly to the overall bundle breakage rate. *See* Figure VII-12. In the same period, the rate of bundle breakage on the APPS increased from 6.3 percent to 7.3 percent. *Id.* Similarly, the bundle breakage rate on SPBSTS increased from 5.9 percent to 7.1 percent, by 1.0 and 1.2 percentage points, respectively. *Id.*

Figure VII-12
Bundle Breakage by Machine, FY 2024–FY 2025

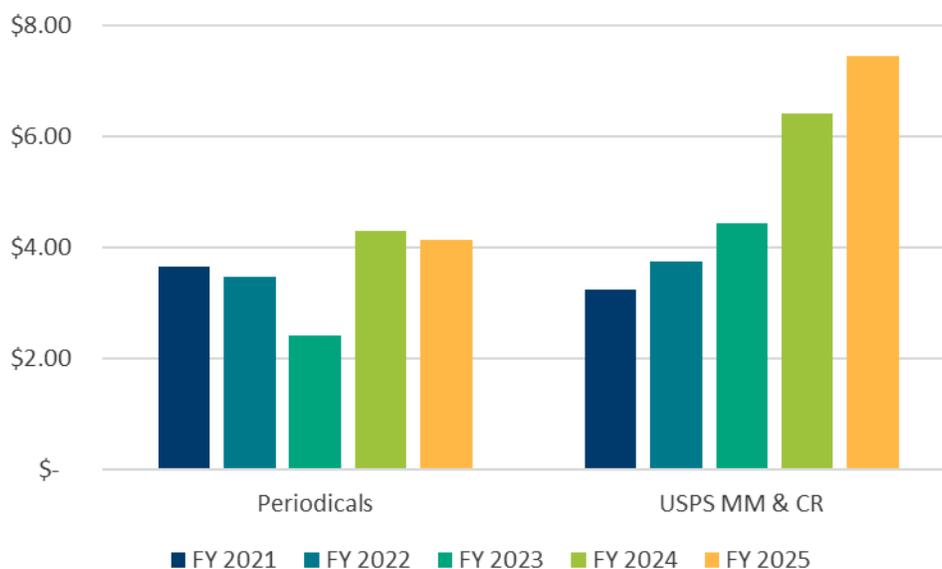


Source: Library Reference PRC-LR-ACR2025-10.

b. Bundle Breakage Cost Impact

Figure VII-13 shows the change in the cost per broken bundle for Periodicals and USPS Marketing Mail from FY 2021 to FY 2025.

Figure VII-13
Cost Impact Per Broken Bundle, FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-10.

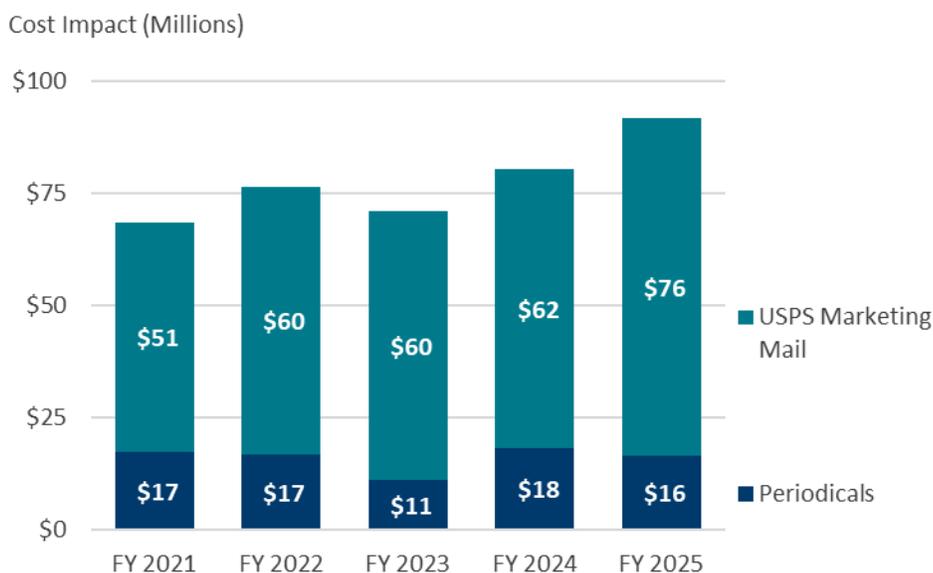
The cost impact per broken Periodical bundle decreased slightly between FY 2024 and FY 2025 and was relatively stable between FY 2021 and FY 2025. *See* Figure VII-13. On the other hand, the cost per broken USPS Marketing Mail bundle has increased significantly since FY 2021. *Id.* The Postal Service explains that the increase in the cost per broken USPS Marketing Mail bundle from FY 2023 to FY 2025 is partially due to the increase in mail processing wage rates (by 3.4 percent from FY 2023 to FY 2024 and 3.0 percent from FY 2024 to FY 2025). January 30 Response to CHIR No. 5, question 2. In addition, the change in mail mix after the removal of FSS operations also contributed to this increase. *Id.*

Specifically, as the Postal Service explains, the removal of FSS machines caused migration of volumes back to Carrier Route presort and corresponding entry levels. *Id.*; *see* February 13 Response to CHIR No. 8, question 7. The Postal Service also offers a pure pallet workshare discount for pure Carrier Route pallets. *See* Paragraph B Narratives at 10. The Postal Service states that the purpose of the discount and rule change to allow pure Carrier Route pallets includes avoiding bundle-sorting costs at processing plants and encouraging increased density through co-mailing. *Id.*

However, a Carrier Route bundle in a delivery unit that prematurely breaks must be sorted manually by a distribution clerk before carrier sortation. January 30 Response to CHIR No. 5, question 2.a. Therefore, the cost impact per broken Carrier Route bundle is greater than for a non-Carrier Route bundle. *Id.* This is because Carrier Route bundles require manual processing by carriers rather than AFSM processing, which is less costly. *Id.* The Commission concludes that the increase in the share of bundles entered at a Carrier Route

level has contributed to the net increase in the total cost impact of broken bundles from FY 2023 to FY 2025. *See* Figure VII-14. This increase in the total cost impact of broken bundles is especially alarming considering that the number of bundles processed has decreased in that period and that the bundle breakage rate decreased in FY 2024. *See* Figure VII-14, Figure VII-9; *see also* Table VII-12.

Figure VII-14
Total Cost Impact of Broken Bundles, FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-10.

In FY 2025, the Postal Service spent \$77.6 million on bundle processing (excluding the cost impact of broken bundles), which accounts for approximately 4.8 percent of the total flats processing cost.¹⁶⁸ This is a decrease of 26.2 percent from FY 2024. *See* Library Reference PRC-LR-ACR2025-10. The estimated cost impact of broken bundles in FY 2025 is \$91.8 million, a 14.2 percent increase from FY 2024. *Id.* Therefore, the total cost of bundle processing in FY 2025, including the cost impact of broken bundles, is \$169.4 million, a decrease of 8.7 percent from FY 2024. *Id.* However, in FY 2025, broken bundles contributed to more than half (54.2 percent) of the total cost of bundle processing, an increase of 10.8 percentage points compared to FY 2024. *Id.*

Other factors that affect the cost estimates of broken bundles include the number of pieces per bundle, the mail processing unit costs by shape for Periodicals, USPS Marketing Mail Flats, and USPS Marketing Mail Carrier Route (which are used in the cost impact models for

¹⁶⁸ *See* Library Reference USPS-FY25-45, folder "Paragraph (b) -- Financial Report," Excel file "FY25.Rule.3050.50.Para.B.xlsx," tab "Item b8" (FY25.Rule.3050.50.Para.B.xlsx).

broken bundles), and the Cost and Revenue Analysis (CRA) proportional adjustment factors.¹⁶⁹ Table VII-13 shows the changes in these factors from FY 2024 to FY 2025.

Table VII-13
Other Factors Contributing to Increased Cost Impact of Broken Bundles,
FY 2024–FY 2025

Pieces per Bundle	FY 2024	FY 2025	Change
Periodicals	16.83	16.49	-2.0%
USPS Marketing Mail Flats	28.58	26.68	-6.7%
USPS Marketing Mail Carrier Route	25.45	24.94	-2.0%
Mail Processing Unit Cost (cents)			
Periodicals	23.02	22.70	-1.4%
USPS Marketing Mail Flats	47.06	51.62	9.7%
USPS Marketing Mail Carrier Route	8.07	9.07	12.4%
CRA Proportional Adjustment Factor			
Periodicals	1.48	1.59	7.4%
USPS Marketing Mail Flats	2.09	2.62	25.5%
USPS Marketing Mail Carrier Route	1.15	1.57	37.0%

Source: Library Reference PRC-LR-ACR2025-10.

The mail processing unit cost and CRA proportional adjustment factor increased significantly for USPS Marketing Mail Flats and USPS Marketing Mail Carrier Route from FY 2024 to FY 2025. *See* Table VII-13. Both factors increase the cost estimate of broken bundles. Fewer pieces per bundle would result in lower cost estimates if bundles were to break, all else equal. Docket No. ACR2021, Response to CHIR No. 10, question 1. The pieces per bundle for all three products decreased from FY 2024 to FY 2025. *See* Table VII-13. However, these relatively small decreases were not enough to offset the increases in the other factors, resulting in a net increase in the cost estimate of broken bundles. *See* Figure VII-14.

¹⁶⁹ *See* Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-3 of Chairman's Information Request No. 10, February 9, 2022, question 1 (Docket No. ACR2021, Response to CHIR No. 10).

c. Commission Analysis

The Commission concludes that in FY 2025, the reported percentage of broken bundles during processing continued to increase, and the total cost impact of broken bundles was \$91.8 million, increasing the total cost of bundle processing by 118.3 percent. *See* Library Reference PRC-LR-ACR2025-10. In addition, while a shift in mail mix to Carrier Route might decrease the cost of bundle processing, it increases the cost of broken bundles.

The Commission recommends that the Postal Service explore methods to mitigate the increasing costs of broken USPS Marketing Mail bundles.

The Commission commends the Postal Service for its persistent effort in working with the flats mailing industry to improve bundle integrity and preparation. The Commission also commends the Postal Service and the flats mailing industry for the breadth of information shared and the degree of participation demonstrated.

Since the APPS and SPBSTS operate at different speeds, but have very similar bundle breakage rates, the Commission believes that additional factors besides bundle preparation and integrity are contributing to bundle breakage rates on these machines. The Commission recognizes and commends the changes the Postal Service has made to the DMM to improve bundle integrity.

The Commission recommends the Postal Service continue investigating other causes of bundle breakage. In particular, the Commission recommends the Postal Service focus on efforts to avoid having broken USPS Marketing Mail bundles, which are increasingly costly to process after breaking.

3. AFSM Processing

There are two modifications available for the AFSM: (1) the Automated Induction (AI) assists clerks in feeding mailpieces into the AFSM; and (2) the Automated Tray Handling System (ATHS) assists clerks in handling trays once mailpieces have been processed.¹⁷⁰ The Postal Service provided productivity data for the four types of AFSMs: (1) AFSM 100, which has no modifications; (2) AFSM AI, which only has the AI modification; (3) AFSM ATHS, which only has the ATHS modification; and (4) AFSM AI ATHS, which has both modifications. Each AFSM type has a target productivity, which did not change from FY 2024 to FY 2025. January 23 Response to CHIR No. 1, question 21. AFSM AI workhours and volumes were erroneous in Docket No. ACR2024 filings, which flowed through to the FY 2025 ACR data.¹⁷¹

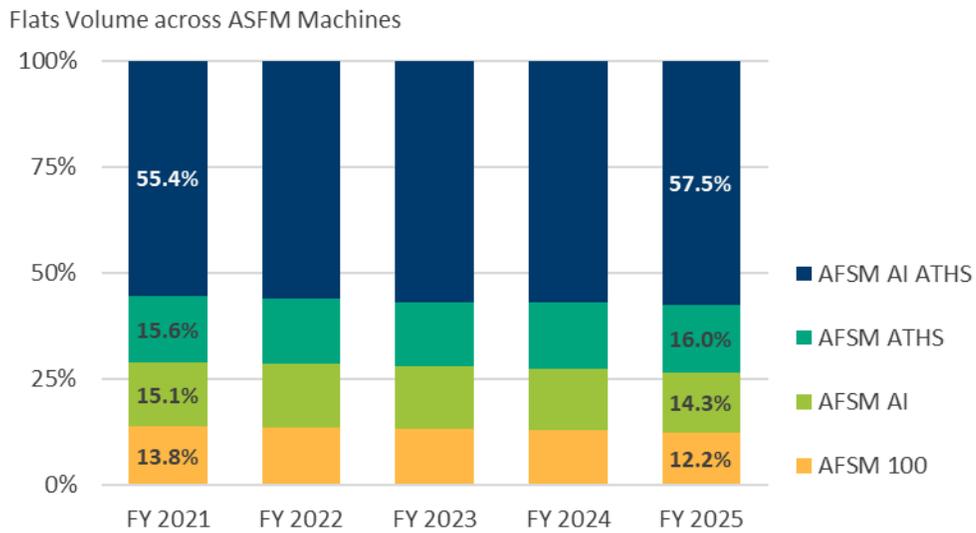
¹⁷⁰ United States Postal Service, Office of Inspector General, Report No. DA-AR-07-005, Automated Flat Sorting Machine 100 Enhancements, September 10, 2007, at 1-2, available at <https://www.uspsoidg.gov/reports/audit-reports/automated-flat-sorting-machine-100-enhancements> (OIG Report No. DA-AR-07-005).

¹⁷¹ January 16 Response to CHIR No. 1, question 24. This discrepancy was corrected in the Notice of the United States Postal Service of Revisions to Annual Compliance Report and ACR Folders (USPS-FY25-3, USPS-FY25-11, USPS-FY25-33, USPS-FY25-45), January 16, 2026.

a. AFSM Volume and Productivity

Figure VII-15 shows the distribution of flats volume processed on each machine from FY 2021 to FY 2025. AFSM AI ATHS processed the highest volume of flats among the four machine types, handling more than half the total flats volume. See Figure VII-15. The distribution of flats volume across the four types of AFSM has remained relatively stable since FY 2021. *Id.*

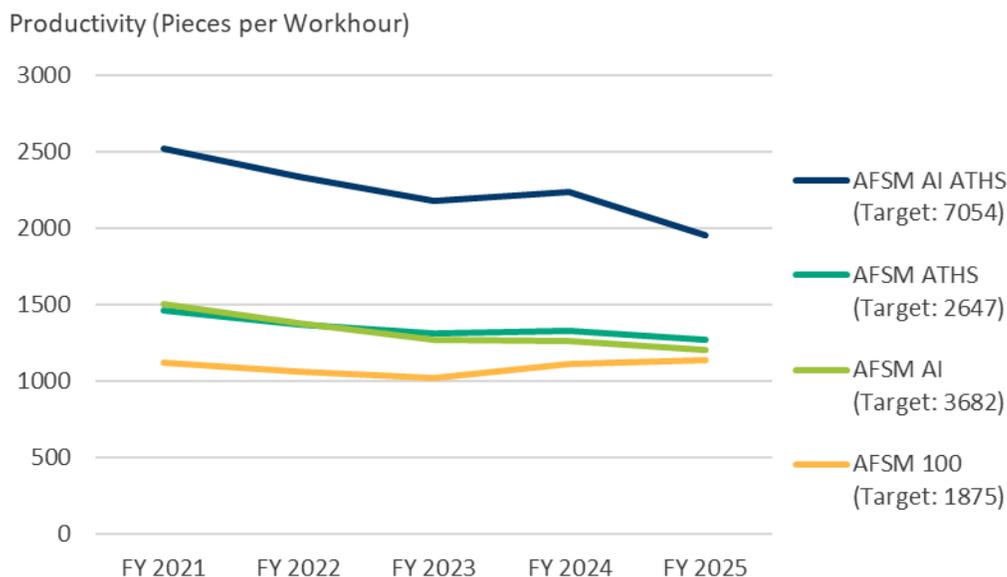
Figure VII-15
Distribution of AFSM Volume Across Machine Type, FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-10.

Figure VII-16 shows the productivity, pieces per workhour, for each type of AFSM.¹⁷²

Figure VII-16
Productivity by AFSM Type, FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-10.

From FY 2023 to FY 2024, the productivity of all four machines improved or remained stable. *See* Figure VII-16. However, from FY 2024 to FY 2025, productivity decreased for all machines except AFSM 100. *Id.* In FY 2025, AFSM AI ATHS had the highest productivity and highest volume of the four machines but experienced the largest decrease in productivity. *See* February 6 Response to CHIR No. 7, question 21. Volume processed on the AFSM AI ATHS decreased by 6.5 percent from FY 2023 to FY 2024 and by 5.8 percent from FY 2024 to FY 2025. *See* Library Reference PRC-LR-ACR2025-10. However, despite a smaller volume decrease from FY 2024 to FY 2025, AFSM AI ATHS productivity decreased by 12.6 percent from FY 2024 to FY 2025 (compared to the increase in productivity of 2.6 percent from FY 2023 to FY 2025). *Id.*

AFSM 100 productivity increased by 2.6 percent in FY 2025 compared to FY 2024, despite an 11.8 percent decrease in processed volumes. February 6 Response to CHIR No. 7, question 21.a. The Postal Service is uncertain what led to this improvement but states that efforts to right-size equipment, consolidate processing, and compress sort programs likely contributed. *Id.* The Postal Service specifically notes that the number of AFSM 100s did not

¹⁷² The workhours used in calculating productivity in this section does not include mail preparation activities. In the Docket No. SS2022-1, Flats Study, the Commission included mail preparation workhours to do a deep dive into the relationship between workhours and volume to follow-up on a Postal Service response to previous Commission analysis. *See* Docket No. SS2022-1, Flats Study at 91-93. However, mail preparation data only distinguishes between AI and non-AI machines, and the Commission excludes mail preparation to analyze the four machine types separately.

change during FY 2025, so employees using these machines did not need to adjust to new procedures in response to equipment changes. *Id.*

On the other hand, AFSM AI, AFSM AI ATHS, and AFSM ATHS all experienced decreases in productivity. *See* Figure VII-16. The Postal Service explains that these three types of AFSM have the largest volume and workhours. February 6 Response to CHIR No. 7, question 21.b. It states that the same efforts that contributed to an AFSM 100 productivity increase helped here but were not sufficient to keep productivity of these machines stable as volumes continued to decline. *Id.* In addition, efforts to right-size equipment required a period of adjustment as employees adapted to the changes in machinery. *Id.*

b. Commission Analysis

The Commission notes that despite a decrease in volume on all four types of AFSMs from FY 2023 to FY 2024, the productivity increased or remained stable (changes range from a 0.4 percent decrease to an 8.5 percent increase). *See* Library Reference PRC-LR-ACR2025-10.

The Commission commends the Postal Service's continued efforts to right-size equipment, consolidate processing, and compress sort programs to improve AFSM productivity. The Commission continues to encourage the Postal Service to investigate and resolve causes for decreases in productivity in AFSM processing.

4. Manual Sorting

The Postal Service provides manual sortation data from two different sources.¹⁷³ Paragraph B contains the total manual mail processing costs for flat-shaped mail, separated into three categories: (1) MODS; (2) non-MODS; and (3) NDC. *See* Revised Para B. It also contains an estimated total volume of manually processed flats. *Id.* eFlash contains workhour, volume, and cost data for the non-MODS cost ascertainment grouping (CAG) A-G offices only and does not include data for non-MODS CAG H-L offices or manual flats work carried by employees clocked into other operations. February 6 Response to CHIR No. 7, question 17.

a. Manual Mail Processing Costs for Flats

Table VII-14 shows the change in MODS, non-MODS, and NDC total manual processing costs for flats between FY 2024 and FY 2025. Manual processing cost for flats overall decreased by 3.1 percent, driven by a 4.1 percent decrease in non-MODS operations, which contain the highest costs for manual processing flats. *See* Table VII-14. In addition, total estimated manually processed flats volume decreased by 15.1 percent. *See* Library Reference PRC-LR-ACR2025-10.

¹⁷³ *See* Library Reference USPS-FY25-45, folder "Rule 3050.50 Flats," folder "Paragraph (e) -- Pinch Point Report," folder "e.3 eFlash," Excel file "E3.eFlash.FY21_FY25.xlsx" (eFlash data); *see also* January 23 Response to CHIR No. 2, folder "Question 26, 29_CHIR 02_ACR 2025," Excel file "FY25.Rule.3050.50.Para.B_revised.xlsx," tab "Item b7" (citing Library Reference USPS-FY25-7, part 3) (Revised Para B).

Table VII-14
Costs of Manual Processing of Flat-Shaped Mail, FY 2024–FY 2025

Processing Facility Type	Manual Processing Costs (000s)		Change
	FY 2024	FY 2025	
Management Operating Data System	\$96,133	\$97,633	1.6%
Network Distribution Center	\$925	\$219	-76.3%
Non- Management Operating Data System	\$243,731	\$232,420	-4.6%
Total	\$340,789	\$330,273	-3.1%

Source: Library Reference PRC-LR-ACR2025-10.

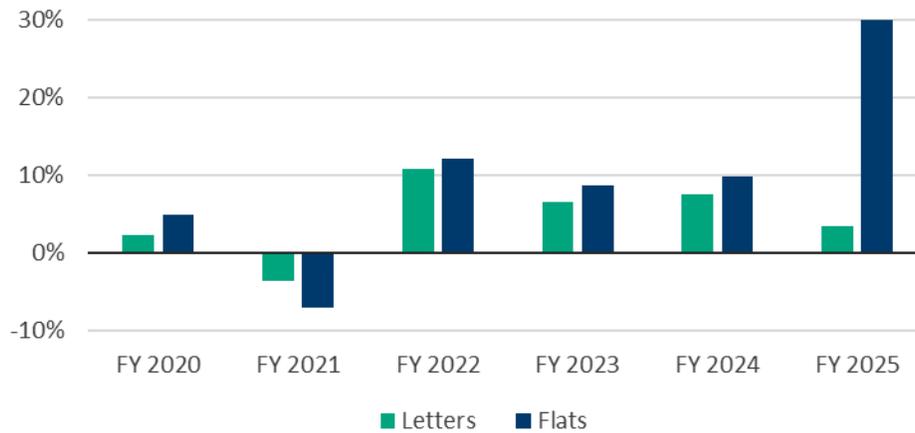
The MODS manual processing costs for flat-shaped mail increased 1.6 percent between FY 2024 and FY 2025. *See* Table VII-14. However, the Postal Service reports that MODS Function 1 manual flats workhours declined 4.5 percent. February 6 Response to CHIR No. 7, question 17. The Postal Service explains that the MODS manual flats pool total costs and costs for processing flat-shaped mail increased slightly due to higher hourly labor costs. *Id.*

b. eFlash (non-MODS CAG A-G)

The eFlash data provides more insight into non-MODS CAG A-G that underlies a substantial portion of manual flats in non-MODS facilities.¹⁷⁴ eFlash data describes flats volume and workhours at non-MODS CAG A-G offices as “unit distribution flat volume” and “flat distribution hours.” *See* eFlash data.

¹⁷⁴ *See* February 6 Response to CHIR No. 7, question 17. Non-MODS facilities are Post Offices, classified using CAG according to the volume of revenue generated. CAG A-G offices have 950 or more revenue units, CAG H-J have 190 to 949 units, CAG K offices have 36 to 189 units, and CAG L offices have fewer than 36 units, available at https://about.usps.com/publications/pub32/pub32_terms.htm.

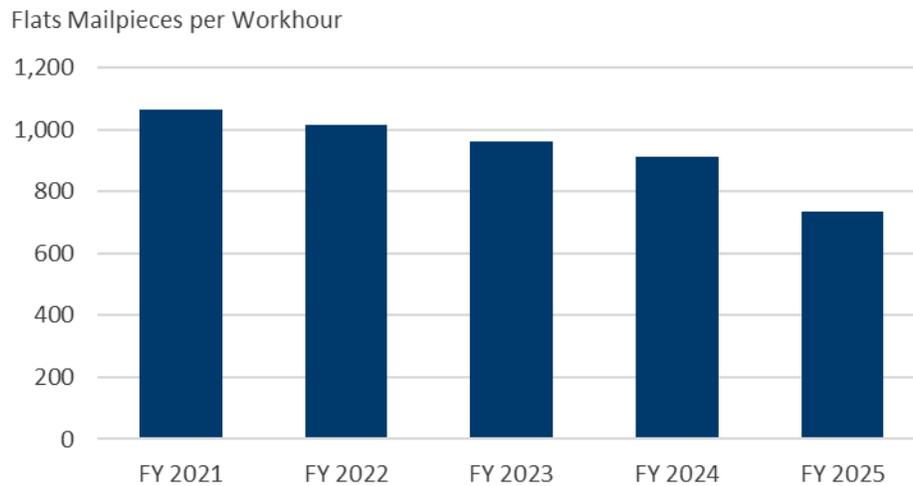
Figure VII-17
Change in Unit Mail Processing Costs for Manually Processed Letters and Flats at CAG A-G Offices, FY 2020–FY 2025



Source: Library Reference PRC-LR-ACR2025-10.

Figure VII-17 shows the change in the average unit mail processing costs of manually handled letters and flats between FY 2021 and FY 2025. In FY 2025, the Postal Service experienced an increase in the unit manual mail processing costs. *See* Figure VII-17. In this period, the average unit cost of manually handled flats mailpieces rose steadily with an overall growth of 61.6 percent. *See* Library Reference PRC-LR-ACR2025-10. In FY 2021, there was a 7.2 percent decrease in unit manual processing cost for flats, but the trend did not continue in subsequent years. *See* Figure VII-17. In FY 2025, unit manual processing costs increased by 3.5 percent for letters and by 30.0 percent for flats, reflecting a notable divergence between unit manual processing cost increases for these two mail shapes. *Id.* This sharp increase in unit manual processing cost for flats corresponds with a reported rise in the flat distribution hours. *See* Library Reference PRC-LR-ACR2025-10.

Figure VII-18
Manual Flats Mailpieces per Workhour, FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-10.

In FY 2025, unit distribution flat volume declined by 3.8 percent (from 2.3 billion to 2.2 billion,) while flat distribution hours increased by 19.3 percent (from 2.5 million to 3.0 million), leading to a drop in manual flats mailpieces per workhour from FY 2024 to FY 2025. *See* Figure VII-18; *see also* Library Reference PRC-LR-ACR2025-10. This drop explains the increased average cost to handle a flat-shaped mailpiece. *See* Figure VII-17.

The Postal Service explains that the observed increase in flat distribution hours was anomalous but might be explained by the fact that flat distribution hours have long been manually entered at CAG A-G Post Offices.¹⁷⁵ The Postal Service states that it is not aware of any changes to the systemic process of data entry that could produce these anomalous results, compared to previous trends. *Id.*

However, this anomaly did not affect the broader measure of non-MODS Function 4 workhours, which experienced a decrease of 4.4 percent. February 6 Response to CHIR No. 7, question 17.

The Postal Service states that a reduced share of manually handled flats can improve the overall financial performance of flats. Section e.9 Narrative at 2. The Postal Service also states that it implemented SWI to address all manual sorting operations. January 30 Response to CHIR No. 5, question 6. However, the Postal Service has not provided any specific benefits or cost reductions associated with SWI. *Id.*

¹⁷⁵ January 30 Response to CHIR No. 5, question 3. The Postal Service classifies Post Offices according to volume of revenue generated using CAG. CAG A-G offices have 950 or more revenue units, available at https://about.usps.com/publications/pub32/pub32_terms.htm.

c. Commission Analysis

The Commission is concerned about the anomalous increase in flat distribution hours because it causes a significant increase in the average unit processing cost for flats. While the Postal Service states that the increased flat distribution hours likely illustrate the improved management of manual flats operations, the Commission notes that a rise in flat distribution hours combined with a drop in unit distribution flat volume does not clearly demonstrate an improvement in management of manual flats operations. In Docket No. SS2022-1, the Commission recommended the Postal Service assess the quality of its data, develop an accurate method to track manually processed flats and pursue manual processing cost reductions. Docket No. SS2022-1, Flats Study at 3, 210; *see* Order No. 8436 at 162; Order 9398 at 33.

The Commission urges the Postal Service to actively investigate anomalous rise in flats distribution workhours and will continue to monitor the Postal Service's efforts to improve tracking of manually processed flats.

5. Allied Operations

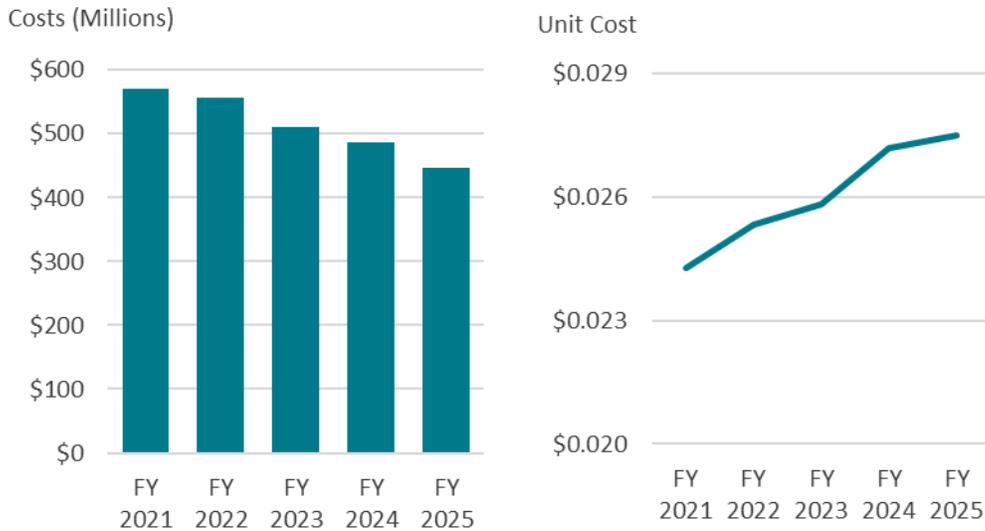
a. Costs

Allied operations are mail processing activities that involve preparing mail for pallet, bundle, or piece processing, and include platform operations such as unloading trucks and moving pallets to mail processing equipment.¹⁷⁶ Figure VII-19 visualizes total and unit allied operations costs for flats from FY 2021 to FY 2025. In FY 2025, the Postal Service spent \$446.0 million on allied operations, or 2.7 cents per piece. Compared to FY 2024, total allied operations cost for flats decreased by \$40.4 million in FY 2025. Since FY 2021, total allied operations cost for flats products has declined by \$124.0 million, or by 21.8 percent. On the other hand, allied operations unit cost for flats increased by 13.2 percent from FY 2021 to FY 2025 due to significant reductions in flats volume. In FY 2025, allied operations comprised approximately 27 percent of the total mail processing cost for flats.¹⁷⁷

¹⁷⁶ FY 2015 ACD at 173; *see generally* Periodicals Mail Study, Joint Report of the United States Postal Service and Postal Regulatory Commission, September 2011, October 13, 2011, available at <https://about.usps.com/what/strategic-plans/postal-act-2006/periodicals-mail-study.pdf>.

¹⁷⁷ *See* FY25.Rule.3050.50.Para.B.xlsx, tab "Item b11."

**Figure VII-19
Flats Allied Operations Costs, FY 2021–FY 2025**

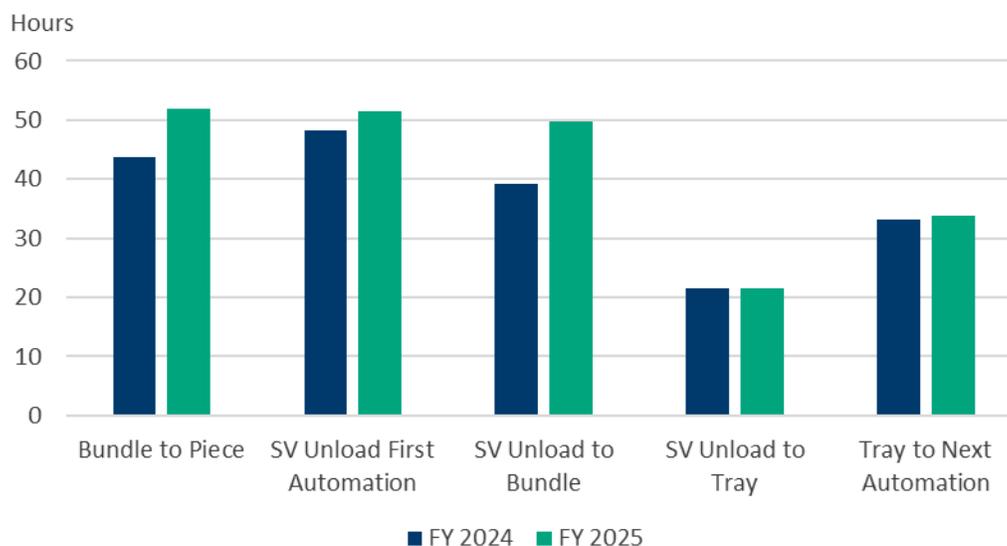


Source: Library Reference PRC-LR-ACR2025-10.

b. Work in Process Cycles

To gain insight into allied operations, the Postal Service utilizes work in process (WIP) cycles, also known as cycle times, to quantify the amount of time mail spends in processing operations. Section e.9 Narrative at 2. As the Postal Service states, “[m]ail processing operations run on planned schedules, and any additional time spent in one operation can adversely impact the next operation and can potentially lead to service failures.” *Id* at 2. The Postal Service uses a visualization tool known as the GRID to identify where plants are experiencing delays in scheduled mail processing. *Id* at 2-3. Additionally, an updated version of the cycle time report is available in Informed Visibility for USPS Marketing Mail Letters and Flats and Periodicals. *Id*. Figure VII-20 displays WIP cycle times for various mail processing operations. From FY 2024 to FY 2025, cycle time increased for all allied operations except for SV Unload to Tray. Notably, cycle times increased by 18.8 percent for Bundle to Piece and by 26.8 percent for SV Unload to Bundle. *See* Library Reference PRC-LR-ACR2025-10. The Postal Service states it is unable to quantify operational factors that caused these changes in cycle times. February 13 Response to CHIR No. 8, question 9.

Figure VII-20
Cycle Times, FY 2024–FY 2025



Source: Library Reference PRC-LR-ACR2025-10.

c. Commission Analysis

The Commission continues to acknowledge the Postal Service's use of the GRID initiative, WIP cycles, and Informed Visibility to provide additional insight into allied operations. Additionally, the Postal Service has been proactive when it comes to developing initiatives to reduce both cycle time and allied operations costs. In FY 2023, as part of the Docket No. SS2022-1, October 6, 2023 Flats Plan and the DFA Plan,¹⁷⁸ the Postal Service reduced the number of critical entry time (CET) options for Periodicals from five to two. *See* Order No. 8436 at 12, 104, 142-45. The goal of the initiative was to reduce run time and allied operations costs by generating reliable processing plans, staffing operations accordingly, eliminating idle run time, and utilizing fewer run hours. *Id.* The Commission previously concluded that there had been continued improvements in cycle times in both FY 2022 and FY 2023, while also stating that it was not possible to determine if the Periodicals CET change was responsible for such improvements due to the timing of the change in January 2023. Order No. 8436 at 104. From FY 2024 to FY 2025, cycle times increased for most allied operations. Unit cost for allied operations also continued to increase. *See* Figure VII-19.

¹⁷⁸ *See* Docket No. SS2022-1, October 6, 2023 Flats Plan; *see also* Docket No. N2022-2, Advisory Opinion on Changes to the Critical Entry Times for Certain Categories of Periodicals, November 30, 2022.

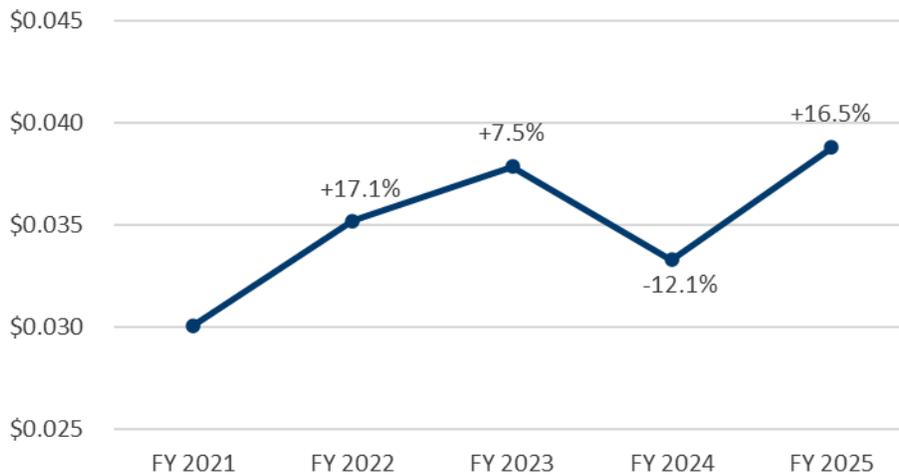
The Commission remains concerned that cycle times and unit cost for allied operations have continued to increase. The Commission will continue to monitor and evaluate the impact of the Periodicals CET change on both cycle times and unit cost for allied operations. The Postal Service must identify the cycle times for each processing point and take corrective action to address delays and cost increases.

6. Transportation

a. Unit Costs

Figure VII-21 visualizes unit purchased transportation cost for flats overall from FY 2021 to FY 2025. Between FY 2023 and FY 2024, this cost decreased by 12.1 percent, which was a result of declining unit costs for the two largest transportation dependent components: Highway and Domestic Air. *See Section VII.F.4., Figure VII-30.* From FY 2024 to FY 2025, unit transportation costs for flats combined increased by 16.5 percent, as volume decreased at a faster rate than overall transportation cost. *See Library Reference PRC-LR-ACR2025-10.* Flats unit transportation cost increased by 29.0 percent from FY 2021 to FY 2025. *Id.* As the Commission previously discussed, the Postal Service attributed the increase in unit transportation cost to multiple factors, including, but not limited to, surface transportation inflationary pressures, sampling variation, issues with employee availability due to the COVID 19 pandemic, and transportation capacity being affected by e-commerce. Order No. 8436 at 149.

Figure VII-21
Flats Purchased Transportation Unit Costs, FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-10.

b. On-Time Performance and Load Management

The Postal Service provided surface visibility (SV) data related to transportation from its SVWeb¹⁷⁹ application. *See* Section e.9 Narrative at 4. The Postal Service uses the report from SVWeb to track the usage of transportation resources, and to identify opportunities for mitigating costs. Docket No. ACR2015, Postal Service Third Response at 62. Table VII-15 shows that the national percentages for on-time departure and on-time arrival continued to decrease from FY 2024 to FY 2025. During the same period, the national average load percentage increased by 3.7 percentage points. *See* Table VII-15. Since FY 2021, the national average load percentage has grown steadily from 39.8 percent to 51.8 percent in FY 2025. *Id.* The Postal Service claims that continued growth in the national average load percentage is the result of multiple successful initiatives, such as shifting more volume for air to surface transportation, as well as acting on opportunities to remove under-utilized trips. Section e.9 Narrative at 4.

Table VII-15
On-Time Departure, On-Time Arrival, and Average Load, FY 2021–FY 2025

Metric	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
On-Time Departure	84.6%	82.3%	85.1%	84.4%	83.7%
On-Time Arrival	73.1%	71.9%	75.0%	74.6%	73.0%
Average Load	39.8%	42.9%	44.8%	48.0%	51.8%

Source: Library Reference PRC-LR-ACR2025-10.

c. Commission Analysis

In FY 2023, as part of the DFA Plan, the Postal Service developed new initiatives to reduce costs by addressing inefficiencies related to transportation. Order No. 8436 at 149. The initiatives included organizing and optimizing the transportation network and transitioning volume from air to surface transportation. *Id.* The Commission previously found that the FY 2023, unit transportation cost increase was the lowest in 3 years, but that it could not be fully attributed to the DFA Plan initiatives. *Id.* at 150. Between FY 2023 and FY 2024, unit transportation cost decreased significantly as a result of the overall decline in unit transportation costs for the Highway and Domestic Air transportation cost components. In FY 2025, unit transportation cost increased again, as volume decreased at a much faster pace than the overall transportation cost. The Postal Service has also been transitioning to a modern transportation management system known as PC Miler. *Id.* at 18. PC Miler enables route optimization and allows for updates to the departure and arrival times written in

¹⁷⁹ The SVWEB application allows "managers to pull reports presenting Area, District, and facility data, such as the number of trips that have arrived and departed over a given period of time, the percentage of the load on each trip (utilization), and the on-time performance for each trip." *See* Docket No. ACR2015, Third Response of the United States Postal Service to Commission Requests for Additional Information in the FY 2015 Annual Compliance Determination, Report Responding to Periodicals Pricing Directives, July 26, 2016, at 61-62 (Docket No. ACR2015, Postal Service Third Response).

supplier contracts. *Id* at 105. The Commission found that in FY 2023, national on-time arrival and on-time departure percentages improved moderately, but the Postal Service did not reduce the on-time performance gap between arriving and departing trips. *Id* at 152. From FY 2024 to FY 2025, the national percentages for on-time departure and on-time arrival decreased, while the national average load percentage increased by 3.7 percentage points.

The Commission will continue to monitor transportation costs to evaluate whether the DFA Plan will have a lasting positive effect on lowering unit transportation cost for flats. The Commission also suggests the Postal Service investigate additional methods to increase the national percentages for on-time departure and on-time arrival as it transitions to a modern transportation management system. The Commission recommends the Postal Service establish specific and quantifiable goals to improve national on-time performance for departure and arrival. The Commission will continue to monitor the SVWeb transportation metrics to ensure the Postal Service makes progress towards its goals.

7. Leg 3 (Last Mile)/Delivery

a. Costs

Leg 3 (Last Mile)¹⁸⁰ occurs during the time a mailpiece is in transit from its final mail processing plant sortation or delivery unit bundle handling to its delivery by postal personnel.¹⁸¹ In FY 2025, the Postal Service spent \$2.5 billion on delivery cost for flats, or 15.7 cents per piece.¹⁸² In FY 2025, delivery cost continued to represent almost 43 percent of the total attributable cost for flats. *Id.* FY 2025 was the second year in which the Postal Service utilized new city and rural carrier methodologies in the respective regulatory product cost models for delivery that attribute more costs to parcels and fewer to flats.¹⁸³ There are two aspects of city delivery operations, in-office and street time. In FY 2025, the Postal Service spent a total of \$982.2 million on city carrier in-office cost.¹⁸⁴ Figure VII-22 displays unit cost for city carrier in-office processing (cost segment 6) from FY 2021 to FY 2025. Between FY 2024 and FY 2025, city carrier in-office unit cost increased by 4.5 percent. *See* Figure VII-22.

¹⁸⁰ In Docket No. ACR2025, the Postal Service uses a new term, Leg 3, when referring to the Last Mile. *See* Section e.9 Narrative at 4. For details regarding changes in terminology from Last Mile to Leg 3, *see, e.g.*, Order No. 8942 at 7.

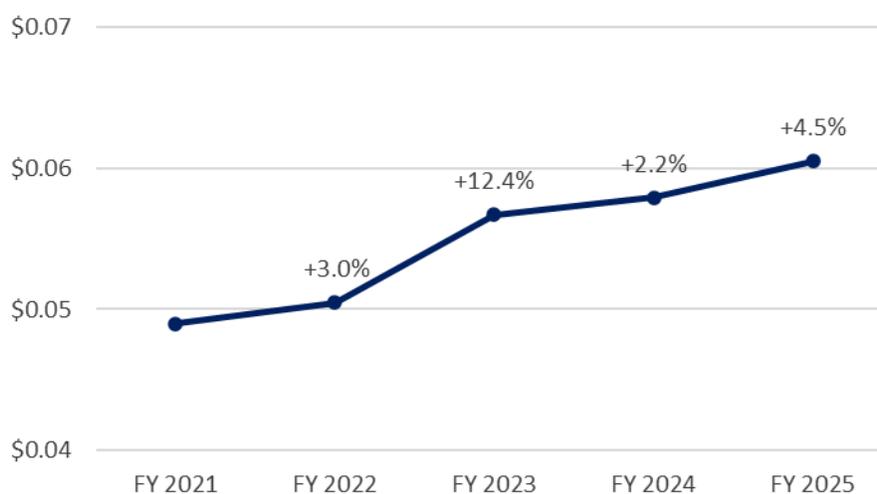
¹⁸¹ Order No. 4697 at 2 n.2, 19-21, 41; FY 2016 ACD at 127; Docket No. SS2022-1, Flats Study at 125.

¹⁸² *See* FY25.Rule.3050.50.Para.B.xlsx, tab "Item b13."

¹⁸³ *See* Docket No. ACR2024, Responses of the United States Postal Service to Questions 1-12 of Chairman's Information Request No. 7, February 7, 2025, question 8.c., 8.e. (Docket No. ACR2024, Response to CHIR No. 7); Docket No. RM2022-3; Docket No. RM2024-2. The Commission approved these new carrier cost methodologies for city and rural carriers in Docket No. RM2022-3 and Docket No. RM2024-2, respectively.

¹⁸⁴ City carrier in-office costs are calculated by summing in-office direct labor and three in-office support cost components, which make up cost segment 6. *See* Library Reference USPS-FY25-2, December 29, 2025, folder "USPS-FY25-2," Excel file "FY25Public Cost Segs and Comps.xlsx," tab "CS06." This analysis is different than the dependent component analysis in Section VII.F.3.a., which focuses on the in-office direct labor dependent component of the delivery functional category.

Figure VII-22
City Delivery Carriers - Office Activity Unit Costs, FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-10.

b. Leg 3 (Last Mile) Impact

The Postal Service evaluates the service impact of last-mile delivery using Last Mile Impact (LMI) scores. LMI scores are defined as "an estimate of the percentage of mail which moved from on-time after the last processing scan to late after delivery."¹⁸⁵ Table VII-16 visualizes quarterly LMI service performance in FY 2025 compared to FY 2024. As seen in Table VII-16, national LMI quarterly scores in FY 2025, compared to FY 2024, showed varying levels of performance. Destination entry Bound Printed Matter Flats recorded the highest level of Last Mile failure in Quarter 2 of FY 2025. Conversely, Quarter 1 destination entry USPS Marketing Mail High Density and Saturation Flats and Parcels recorded the lowest level of Last Mile failure in FY 2025. In general, First-Class Mail Flats and USPS Marketing Mail High Density and Saturation Flats and Parcels experienced improvements in LMI scores across most service standard categories in FY 2025. While the Postal Service attributed the improvement in LMI scores to improvements in operating precision for automated sequence sorting and the timely sorting of flats to delivery points, it also acknowledged that it is not possible to quantify the true impact of such operational efforts on LMI scores. See January 30 Response to CHIR No. 5, question 7.

¹⁸⁵ See Docket No. RM2018-1, Response of the United States Postal Service to Commission Information Request No. 1, December 4, 2017, question PP6-4.b. The Postal Service states that some of the measurement systems under the Transit-Time Measurement System provides the calculations of the LMI for flats. *Id.*

**Table VII-16
Last Mile Impact: Change Year Over Year, FY 2025–FY 2024**

Product	Service Standard	Change Year Over Year (FY25-FY24)			
		Q1	Q2	Q3	Q4
First-Class Mail™					
Presort Flats	Overnight	0.0	-0.1	-0.2	-0.3
	Two-Day	-0.2	-0.5	0.8	0.1
	3-5 Day	0.0	-0.2	0.7	0.3
Single-Piece Flats	Overnight	N/A	N/A	N/A	N/A
	Two-Day	0.4	0.1	0.7	0.2
	3-5 Day	0.4	0.4	0.3	-0.2
USPS Marketing Mail					
Flats	Destination Entry	0.2	-1.0	-0.1	-0.3
	End-to-End	0.3	-0.3	0.0	0.0
Carrier Route	Destination Entry	0.5	-1.0	-0.2	-0.8
	End-to-End	0.8	-0.4	0.3	-0.5
Every Door Direct Mail-Retail	Destination Entry	N/A	N/A	N/A	N/A
High Density and Saturation Flats	Destination Entry	1.0	-1.0	0.2	-0.5
	End-to-End	0.7	-0.1	-0.3	0.1
Periodicals					
Within County	-	0.3	-0.5	0.0	-0.8
Outside County	Destination Entry	0.5	-0.8	-0.1	-1.0
	End-to-End	0.1	0.2	0.3	0.2
Bound Printed Matter					
Flats	Destination Entry	0.8	-1.4	-0.8	-0.8
	End-to-End	0.8	-0.3	-0.3	0.7

Source: Library Reference PRC-LR-ACR2025-10.

c. Commission Analysis

The Commission previously found that in FY 2021, the year when the Postal Service began decommissioning FSS processing, flats volume declined by 4.6 percent and unit delivery cost increased by 3.7 percent. Order No. 8436 at 159. Despite FSS decommissioning, city carrier in-office unit cost for flats products combined have continued to increase each year, and from FY 2021 to FY 2025, this cost increased by 23.6 percent. *See* Library Reference PRC-LR-ACR2025-10. In FY 2025, service performance for delivering flats continued to show varying levels of performance with regards to flats products. *See* Table VII-16.

The Commission remains concerned that unit delivery cost related to flats products continues to increase, even as flats volume declines overall. The Commission recommends developing additional initiatives that can effectively reduce unit delivery cost for flats products. The Commission will continue to monitor both the cost and service performance associated with the last-mile delivery of flats products to ensure improvements occur.

F. Analysis of Unit Costs for Major Functional Categories by Dependent Component

For each product that consists of more than 80 percent flat-shaped mail, 39 C.F.R. § 3050.50(b)(2) requires the Postal Service to provide the unit attributable costs disaggregated into the following functional cost categories: mail processing, delivery, vehicle service driver, purchased transportation, window service, and other.¹⁸⁶ The Commission has identified these functional cost categories as relevant to providing context to the "pinch points" discussed in Section VII.E.¹⁸⁷ Each of these functional cost categories contains costs from different dependent components.¹⁸⁸ Dependent component costs are used to calculate non-operational piggyback factors.¹⁸⁹ Major dependent components have at least five percent share of the costs of a functional category for a flats product, and the costs of all other components are consolidated into an "other" category. Section VII.F.1. discusses unit attributable costs for eight flats products for each major functional cost category. Sections VII.F.2. through VII.F.4. provide an analysis of trends in the unit costs of selected dependent components of major functional cost categories, focusing on non-compensatory products.

¹⁸⁶ *See* FY25.Rule.3050.50.Para.B.xlsx, tab "Item b2."

¹⁸⁷ The Commission performed the analysis of flats unit costs for major functional categories by dependent component in the FY 2021 ACD at 262 and the Docket No. SS2022-1, Flats Study Report at 152.

¹⁸⁸ Functional cost categories are not the same as cost segments and include all relevant cost segments and dependent components from other cost segments. For details, *see* Library Reference USPS-FY25-24, December 29, 2025, PDF file "USPS-FY25-24.Preface.pdf," Excel file FY25Public.PB.xlsx, tab "DOC." For the list of the major dependent components within the three main functional cost categories, *see* Docket No. SS2022-1, Flats Study at 154.

¹⁸⁹ Non-operational piggyback factors are employed in cost studies to augment labor cost estimates for the major functions by adding the costs associated with supervisors and administration, service-wide benefits, along with facility-related and equipment-related costs. *See* Library Reference USPS-FY25-24, folder "USPS-FY25-24," PDF file "USPS-FY25-24.Preface.pdf."

1. Overall Flats Unit Attributable Costs by Functional Category (Mail Processing, Delivery, Purchased Transportation, and Other)

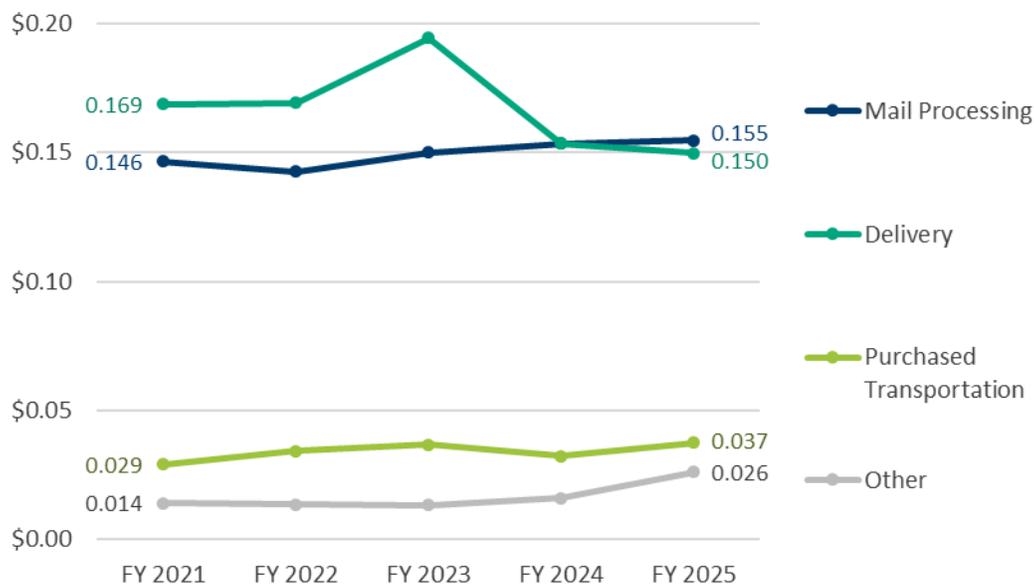
Figure VII-23 shows the unit attributable cost for all eight flats products combined for each of the three main functional cost categories between FY 2021 and FY 2025. Prior to FY 2024, the functional category with the highest unit attributable cost for flats overall was delivery but after FY 2024, there was a shift to mail processing. Furthermore, for all flats combined, delivery unit cost increased between FY 2021 and FY 2023 but then decreased in both FY 2024 and FY 2025. *See* Figure VII-23. This change in trend in FY 2024 is largely due to the Postal Service's implementation of new city and rural carrier methodologies in the respective regulatory product cost models, which attributed more delivery costs to parcels and fewer to flats.¹⁹⁰ Section VII.F.3. provides more details regarding which non-compensatory products and dependent components drive this overall decline in the delivery unit cost of flats.

Meanwhile, purchased transportation and mail processing unit costs for flats overall have increased from FY 2021 to FY 2025. However, before rising again in FY 2025, purchased transportation unit cost decreased in FY 2024.¹⁹¹ *See* Figure VII-23.

¹⁹⁰ *See* Docket No. ACR2024, Response to CHIR No. 7, question 8.c., 8.e.; Docket No. RM2022-3; Docket No. RM2024-2. The Commission approved these new carrier cost methodologies for city and rural carriers in Docket No. RM2022-3 and Docket No. RM2024-2, respectively.

¹⁹¹ *See* Docket No. ACR2024, Response to CHIR No. 7, question 8.c. The Postal Service primarily attributes the FY 2024 decrease in purchased transportation unit cost in FY 2024 to the NDC unwind initiative that integrated the parallel SCF and NDC transportation networks into a single network. *See id.*

Figure VII-23
Total Flats Products Unit Attributable Cost by Functional Category, FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-10.

Figure VII-24 shows the distribution of flats unit attributable costs across functional categories for each flats product in FY 2024 and FY 2025. A comparison of the data over the two fiscal years shows that the distribution not only differs by product but also has changed over time for some products.

Between FY 2024 and FY 2025, costs for High Density and Saturation Flats shifted from delivery to other costs, decreasing the share of this product's unit cost attributed to delivery by 11.9 percentage points (from 80.4 percent to 68.5 percent). See Figure VII-24. In Section VII.B.1., the Commission showed that the volume mix of flats products has shifted to High Density and Saturation Flats during this period. When considered in combination with the decrease in both the share of delivery unit cost and the total unit cost for High Density and Saturation Flats, it is clear that High Density and Saturation Flats mainly drives the decrease in delivery unit cost for flats products combined.¹⁹² See Figure VII-23. For most other flats products, a change in the share of delivery unit costs was within 3 percentage points. See Figure VII-24.

¹⁹² Bound Printed Matter Flats also experienced a decrease in the share of delivery cost, but it was smaller (this share decreased from 33.5 percent to 26.7 percent, or by 6.8 percentage points), and the product comprises only a small share of the overall flats volume (i.e., less than one percent in both FY 2024 and FY 2025). See Docket No. ACR2024, Library Reference USPS-FY24-1, December 30, 2024, Excel file "Public_FY24CRAReport.xlsx"; Docket No. ACR2025, Library Reference USPS-FY25-1, December 29, 2025, Excel file "Public_FY25CRAReport.xlsx."

On the other hand, from FY 2024 to FY 2025, the shares of mail processing unit cost and purchased transportation cost did not change as drastically as the share of delivery cost. The share of mail processing unit cost changed by less than 4 percentage points for each flats product, and the share of purchased transportation unit cost changed by less than 3 percentage points for all flats products but Bound Printed Matter Flats. *See* Figure VII-24. The share of purchased transportation in the unit cost of Bound Printed Matter Flats increased in FY 2025 by 9.8 percentage points (from 11.2 percent to 21.0 percent). *See* Figure VII-24. The Commission discusses the dependent components that drive this trend for Bound Printed Matter Flats in more detail in Section VII.F.4.

Figure VII-24

Distribution of Flats Unit Cost by Functional Cost Category by Product, FY 2024 and FY 2025

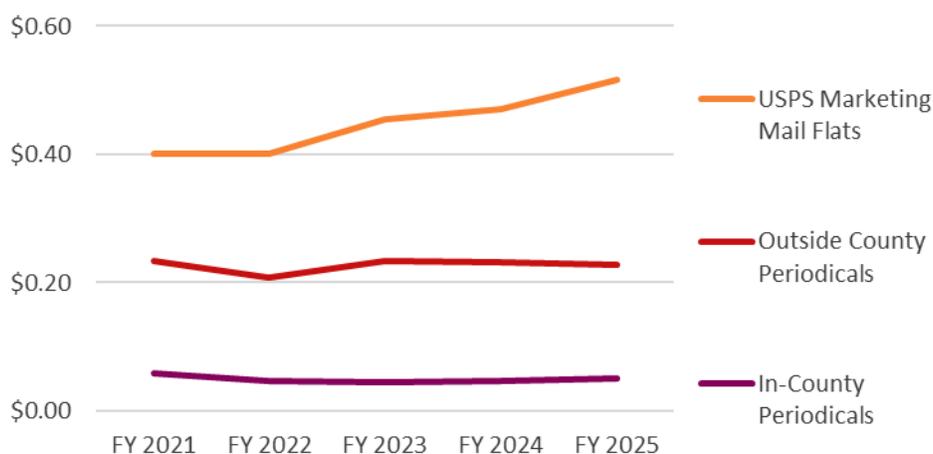
Mail Class/Product	FY	Mail Processing	Delivery	Purchased Transportation	Other
First-Class Mail					
Flats	2024	59.9%	17.5%	16.0%	6.6%
	2025	56.9%	18.5%	17.7%	6.9%
USPS Marketing Mail					
HD and Saturation Flats/Parcels	2024	11.4%	80.4%	2.5%	5.6%
	2025	11.8%	68.5%	2.2%	17.6%
Carrier Route	2024	29.7%	62.3%	4.9%	3.1%
	2025	30.6%	61.3%	4.2%	3.9%
Flats	2024	58.7%	29.1%	8.8%	3.3%
	2025	56.1%	30.6%	9.1%	4.1%
Every Door Direct Mail-Retail	2024	5.8%	88.9%	0.5%	4.8%
	2025	3.4%	91.1%	0.6%	4.8%
Periodicals					
	2024	43.6%	42.2%	10.6%	3.5%
	2025	40.4%	43.1%	12.7%	3.7%
Package Services					
Bound Printed Matter Flats	2024	50.6%	33.5%	11.2%	4.7%
	2025	47.9%	26.7%	21.0%	4.4%

Source: Library Reference PRC-LR-ACR2025-10.

2. Trends in Unit Attributable Costs of Mail Processing Dependent Components

Figure VII-25 illustrates the trends in mail processing unit costs for each non-compensatory flats product from FY 2021 to FY 2025. For In-County Periodicals and Outside County Periodicals, these costs have remained relatively stable during this period. *See* Figure VII-25. Specifically, since FY 2021, mail processing unit costs for both In-County and Outside County Periodicals have remained within a 2-cent range. *See* Figure VII-25. However, mail processing unit cost has increased significantly (by 28.9 percent) for USPS Marketing Mail Flats during these five fiscal years. *See* Library Reference PRC-LR-ACR2025-10. Only between FY 2024 and FY 2025, this product experienced a 9.7 percent increase in mail processing unit cost. *Id.* The Postal Service attributes this rise to two factors: an increase in mail handler wages by \$1.51 (3.3 percent), and a decrease in AFSM 100 productivity by 3.0 percent. *See* February 6 Response to CHIR No. 7, question 9.a.

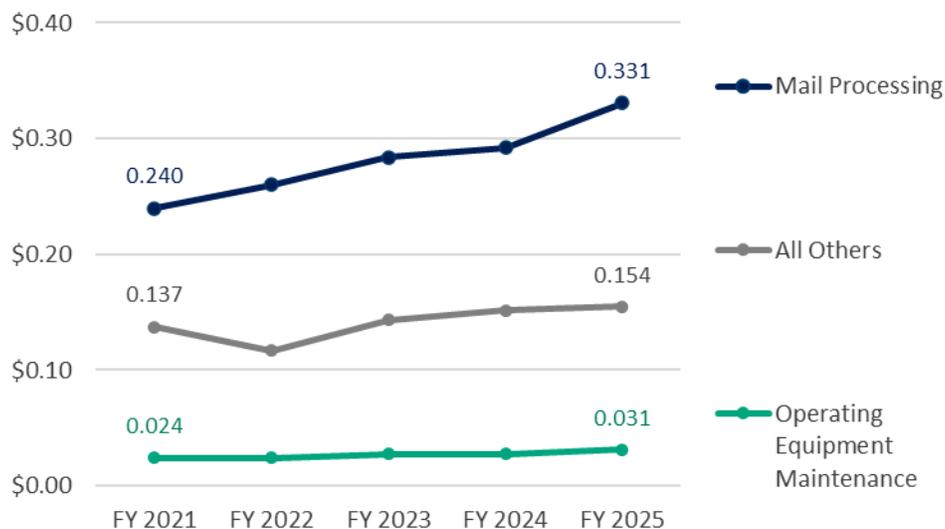
Figure VII-25
Mail Processing Functional Category Unit Cost for Non-Compensatory Products,
FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-10.

Given the significant rise in unit cost for USPS Marketing Mail Flats, the Commission examines the major dependent components of the mail processing functional category for this product between FY 2021 and FY 2025. Figure VII-26 shows that while unit costs for other dependent components increase slightly, it is the mail processing dependent component that mainly drives the increase in mail processing unit cost for USPS Marketing Mail Flats. Between FY 2021 and FY 2025, the mail processing dependent component unit cost for USPS Marketing Mail Flats has grown significantly, from 24.0 cents to 33.1 cents, an increase of 37.9 percent. *See* Figure VII-26; *see also* PRC-LR-ACR2025-10.

Figure VII-26
Mail Processing Dependent Components Unit Costs for USPS Marketing Mail Flats,
FY 2021–FY 2025



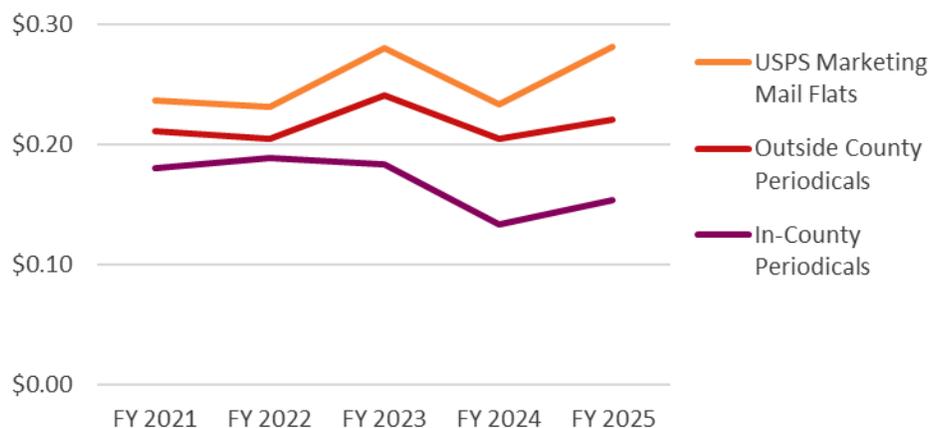
Source: Library Reference PRC-LR-ACR2025-10.

3. Trends in Unit Costs of Delivery Dependent Components

To analyze trends in delivery costs between FY 2021 and FY 2025, the Commission examines unit costs for the delivery functional category and its corresponding major dependent components for non-compensatory flats products. The three major dependent components include in-office direct labor (city carriers), delivery activities (city carriers) and evaluated routes (rural carriers).¹⁹³ Figure VII-27 shows that whereas all non-compensatory products experienced a decrease in delivery unit cost between FY 2023 and FY 2024, this cost rose again between FY 2024 and FY 2025. For USPS Marketing Mail Flats, the Postal Service attributes the increase from FY 2024 to FY 2025 to increases in accrued labor costs for both city and rural carriers. *See* February 6 Response to CHIR No. 7, question 9. For Periodicals, the Postal Service states that delivery costs were adversely affected by an increase in wages for city carriers in FY 2025 relative to FY 2024. *See id.* question 12. Furthermore, there was an increase in the share of origin-entered volume by 3 percentage points for Periodicals. *Id.* This resulted in an increase of unit delivery costs by 1.6 cents for Outside County Periodicals and 2.1 cents for In-County Periodicals. *See* Library Reference PRC-LR-ACR2025-10.

¹⁹³ *See* FY25.Rule.3050.50.Para.B.xlsx, tab "Item b2," column F (citing Library Reference USPS-FY25-24).

Figure VII-27
Delivery Functional Category Unit Cost for Non-Compensatory Products, FY 2021–FY 2025



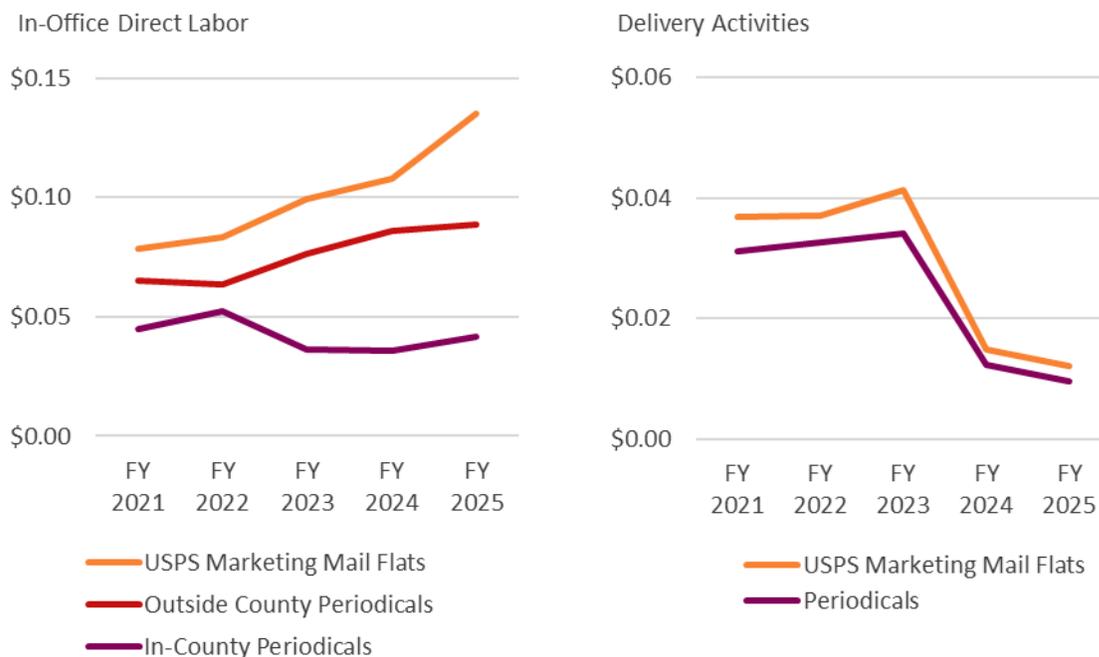
Source: Library Reference PRC-LR-ACR2025-10.

a. City Carriers

Figure VII-28 illustrates unit costs for in-office direct labor and delivery activities for each non-compensatory flats product. Unlike unit costs for the delivery activities, in-office direct labor unit costs increased between FY 2021 and FY 2025 for two out of three non-compensatory flats products, with only In-County Periodicals showing a decrease (by 6.1 percent) during this period. Both USPS Marketing Mail Flats and Outside County Periodicals experienced a quite notable increase in in-office direct labor unit cost (by 72.0 percent and 36.9 percent, respectively) from FY 2021 to FY 2025. *See* Figure VII-28; *see also* Library Reference PRC-LR-ACR2025-10.

From FY 2023 to FY 2024, change in the in-office direct labor cost reflects, in part, the newly approved city carrier route costing methodology. *See* Order No. 7411. However, from FY 2024 to FY 2025, in-office direct labor unit costs increased for all three non-compensatory products. *See* Figure VII-28. The Postal Service states that the increase in wages for city carriers in FY 2025 by \$2.40 (5.1 percent) drove the increase in these unit costs. *See* February 6 Response to CHIR No. 7, question 9.b. The Commission therefore concludes that the in-office labor dependent component is a driver for the increase in unit cost for the delivery functional category for non-compensatory products between FY 2024 and FY 2025.

Figure VII-28
In-Office Direct Labor and Delivery Activities Dependent Components Unit Cost for Non-Compensatory Products, FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-10.

Figure VII-28 shows that the trends for city carrier delivery activities unit costs differ to those of in-office direct labor unit costs. City carrier delivery activities unit costs decreased between FY 2023 to FY 2025 for all non-compensatory flats products. *See* Figure VII-28. The decreases in unit costs between FY 2023 and FY 2024, are largely attributed to the updated city carrier costing methodology noted above. *See generally* Order No. 7411. Between FY 2024 and FY 2025, the decreases in unit costs for city carrier delivery activities for non-compensatory products ranged from 18.7 percent for USPS Marketing Mail Flats to 22.5 percent for Periodicals. *See* Figure VII-28; *see also* PRC-LR-ACR2025-10.

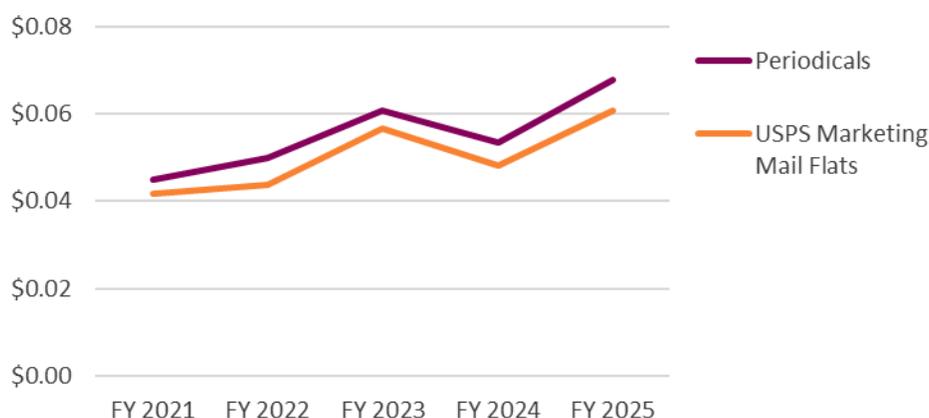
The Postal Service states that city carrier delivery activities unit costs decreased in FY 2025 because the percentage decrease in volume of each flats product delivered on city routes was greater than the percentage decrease in RPW volume. *See* February 6 Response to CHIR No. 7, question 22. Although the costs for the delivery functional category increased overall between FY 2024 and FY 2025 for non-compensatory products, the decreases in city carrier delivery activities cost dampens the increases in costs associated with other dependent components like in-office direct labor.

b. Rural Carriers

Figure VII-29 shows trends in unit costs associated with rural evaluated routes for non-compensatory flats products. Rural carrier unit costs have increased for all non-compensatory products since FY 2021. *See* Figure VII-29. These increases range from 45.4 percent for USPS Marketing Mail Flats to 50.8 percent for Periodicals, with a large increase from FY 2024 to FY 2025 of 26.1 percent and 26.9 percent for USPS Marketing Mail Flats and Periodicals, respectively. *See* Library Reference PRC-LR-ACR2025-10.

All non-compensatory products had a similar trend in unit costs for rural evaluated routes: these unit costs increased for these products between FY 2021 and FY 2023, decreased between FY 2023 and FY 2024, and increased again between FY 2024 and FY 2025. *See* Figure VII-29. The decreases between FY 2023 and FY 2024 reflect the Postal Service's change to its rural carrier costing methodology approved in Docket RM2024-2, which affected the measurement of the variability of rural carrier costs and the distribution attributable cost to products.¹⁹⁴ While city carrier delivery activities unit costs decreased between FY 2024 and FY 2025, rural carrier evaluated routes unit costs increased. *See* Figure VII-28 and Figure VII-29. The Postal Service explains that this is due to the shift in the volume distribution of flats from city to rural routes. *See* February 6 Response to CHIR No. 7, question 22. Specifically, the decline in flats volume delivered on city routes was greater than the decline in total RPW volume, whereas the decline in flats volume delivered on rural routes was less than total RPW volume over the same period. *Id.*

Figure VII-29
Rural Evaluated Routes Dependent Component Unit Cost for Non-Compensatory Products, FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-10.

¹⁹⁴ *See* Docket No. ACR2024, Response to CHIR No. 7, question 8.c., 8.e.; Docket No. RM2022-3; Docket No. RM2024-2. The Commission approved these new carrier cost methodologies for city and rural carriers in Docket No. RM2022-3 and Docket No. RM2024-2, respectively.

4. Trends in Unit Costs of Purchased Transportation Dependent Components

The purchased transportation functional cost category consists of highway, domestic air, and railroad dependent components. Table VII-17 shows the distribution of purchased transportation unit costs across these dependent components for all flats products combined. Table VII-17 illustrates that between FY 2021 and FY 2025, highway unit cost for flats products overall consistently constituted more than 80 percent of total purchased transportation unit cost for all flats products. The share of domestic air was between 10.3 percent (i.e., in FY 2024) and 17.7 percent (i.e., in FY 2021). *See* Table VII-17. Between FY 2024 and FY 2025, however, the share of purchased transportation unit cost attributed to domestic air has increased by 5.1 percentage points (from 10.3 percent to 15.3 percent), and the share of highway unit cost has decreased at a similar pace, by 5.4 percentage points (from 88.1 percent to 82.7 percent). *See* Table VII-17. The Postal Service explains that a shift from highway to domestic air for First-Class Mail Flats and USPS Marketing Mail Flats in particular was made "to ensure the most cost-effective use of air capacity, taking into consideration mail mix and volume." *See* February 6 Response to CHIR No. 7, question 18.a.i.; *see* Section VII.D.3.

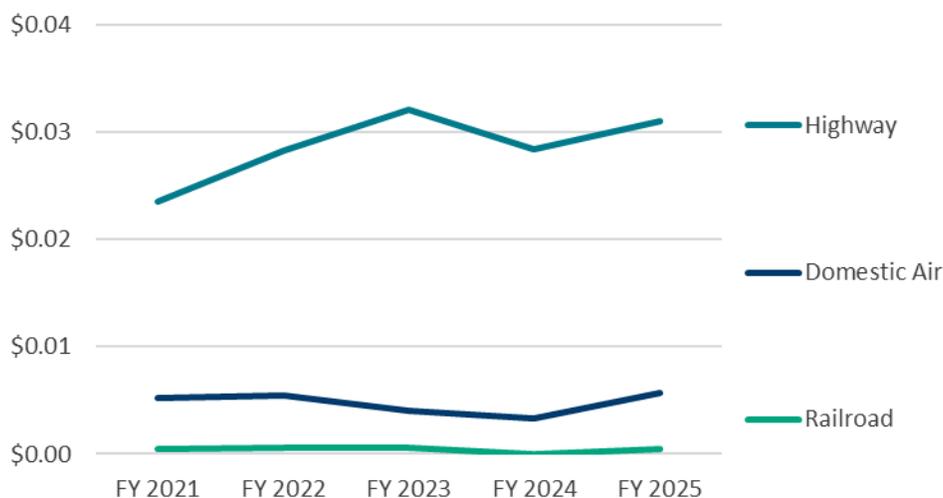
Table VII-17
Distribution of Flats Purchased Transportation Unit Cost Across Dependent Components, FY 2021–FY 2025

Dependent Component	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Difference between FY 2024 and FY 2025
Domestic Air	17.7%	15.7%	10.9%	10.3%	15.3%	5.1%
Highway	80.1%	82.2%	87.1%	88.1%	82.7%	-5.4%
Rail	1.6%	1.6%	1.6%	1.2%	1.3%	0.1%

Source: Library Reference PRC-LR-ACR2025-10.

Figure VII-30 illustrates changes in unit costs for each purchased transportation dependent component for all flats products combined from FY 2021 to FY 2025. Despite the shift in the share of transportation costs from highway to domestic air from FY 2024 to FY 2025 discussed earlier, unit costs for all flats combined increased for both highway and domestic air over the same period. *See* Figure VII-30.

Figure VII-30
Purchased Transportation Functional Category Unit Costs by Dependent Component,
FY 2021–FY 2025

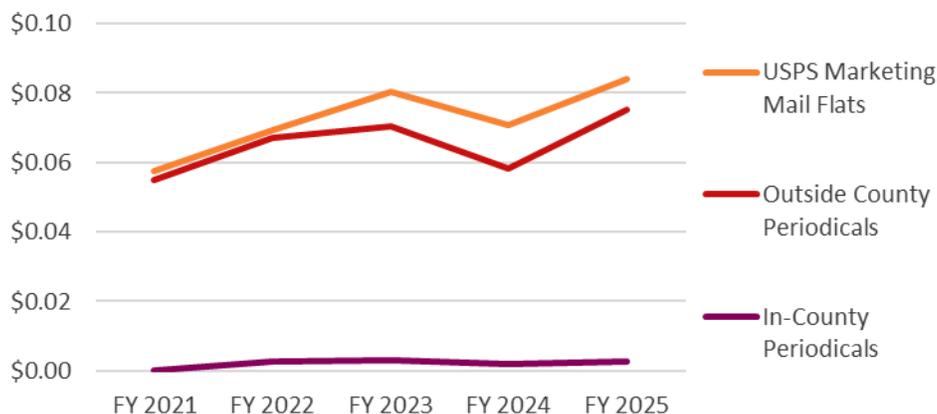


Source: Library Reference PRC-LR-ACR2025-10.

Figure VII-31 shows purchased transportation costs for non-compensatory products in FY 2025. Two non-compensatory products, USPS Marketing Mail Flats and Outside County Periodicals, contributed to the increase in purchased transportation unit costs for all flats combined, since transportation unit costs increased by 18.4 percent (1.3 cents) for USPS Marketing Mail Flats and by 28.7 percent (1.7 cents) for Outside County Periodicals.¹⁹⁵ See Figure VII-31. The Postal Service explains that one factor that drove an increase in transportation unit cost for Periodicals was the 3 percentage points increase in the share of volume that entered at origin in FY 2025. See February 6 Response to CHIR No. 7, question 12. Meanwhile, the Postal Service states that increases in costs of air and Inter-SCF highway contracts primarily drove the increase in purchased transportation unit cost for USPS Marketing Mail Flats. See February 6 Response to CHIR No. 7, question 9.

¹⁹⁵ While In-County Periodicals also experienced an increase of 31.6 percent, the absolute increase is very small (only one-tenth of a cent) since transportation costs were at most three-tenths of a cent on average between FY 2021 and FY 2025.

Figure VII-31
Purchased Transportation Functional Category Unit Cost for Non-Compensatory Products,
FY 2021–FY 2025



Source: Library Reference PRC-LR-ACR2025-10.

G. Comments

N/MA expresses concern that unit costs rose as the Postal Service experienced negative productivity and questions whether the Postal Service has achieved any savings from the Docket No. SS2022-1, Flats Study. N/MA Comments at 1, 3. N/MA cites the Postal Service's lack of tracking of cost savings from its initiatives as problematic. *Id.* at 3.

The Postal Service responds that it has engaged in extensive efforts to address the inefficiencies identified by the Commission in its Docket No. SS2022-1, Flats Study. Postal Service Reply Comments at 20. The Postal Service states that N/MA does not offer any analysis to support its conclusion that these efforts have been ineffective, and that N/MA ignores the impact of external market forces on unit costs. *Id.* at 21.

Commission Analysis of Comments. The Commission acknowledges the concerns regarding flats cost issues, as well as Postal Service efforts to develop and implement initiatives to address these issues. The Commission will continue to monitor these issues and reminds the Postal Service that operational initiatives should be accompanied by sufficient data and analysis to allow for an assessment of the impact on cost and service.

H. Conclusions and Recommendations

As highlighted above, overall flats unit revenue continued to increase in FY 2025. In addition, flats had a positive contribution for the second consecutive year and five out of eight flats products covered their costs. At the same time, service performance has continued to decline for the majority of flats categories. For a number of the pinch points, there was still no improvement: bundle breakage increased, as did purchased transportation costs and delivery costs for flats.

Although the Postal Service continues to develop and implement operational initiatives to address these issues, the Commission reiterates the importance of linking these initiatives to measurable impacts. The Commission has provided several recommendations for the Postal Service to collect, improve, and analyze data on specific initiatives. In addition, the Commission encourages the Postal Service to focus its efforts on investigating and resolving causes for certain processing costs. The Commission also notes that methodological changes affect measures of costs and their attribution to products in the cost model, but they do not substitute operational initiatives that directly aim to reduce the Postal Service's overall costs. Finally, the Commission remains concerned that flats categories continue to miss their respective service performance targets, even though the Postal Service lowered targets for several flats categories in FY 2025. The Commission highlights the need for the Postal Service to develop a better balance of implementing network changes without severe declines in service performance.

The Commission acknowledges that the Postal Service continues to undertake efforts to address flats cost and service issues. The Commission will continue to monitor the Postal Service's progress toward these efforts.

Appendix A: Key Commission Findings and Directives Requiring Postal Service Action for Future *Annual Compliance Reports*

Market Dominant Products: Pricing Requirements, Workshare Discounts:

- *The Commission finds that all workshare discounts in effect in FY 2025 were in compliance with 39 C.F.R. part 3030, subpart J at the time they were approved in the rate adjustment proceedings based on the most recent avoided costs available at the time of each rate adjustment filing.*
- *The Commission directs the Postal Service to bring all current workshare discounts approved in Docket No. R2025-1 and identified in Table II-1 (or Table II-2 if implementing all methodological changes approved in Docket Nos. MC2025-1483 and RM2025-11 and Docket No. RM2025-12) that are not equal to their avoided costs based on the new FY 2025 avoided costs into compliance with 39 C.F.R. § 3030.283 and 39 C.F.R. § 3030.284 in the next rate adjustment proceeding, which could include aligning workshare discounts with avoided costs or explaining how the workshare discounts comply with existing exceptions (including waivers granted in accordance with the rules set forth in 39 C.F.R. § 3030.286). In addition, all workshare discounts proposed in rate adjustment proceedings must be consistent with 39 C.F.R. § 3030.282 as recently amended by Order No. 9426. If the Postal Service implements only some methodological changes approved in Docket Nos. MC2025-1483 and RM2025-11 and Docket No. RM2025-12 in the next rate adjustment proceeding, the Commission directs it to refer to Library Reference PRC-LR-ACR2025-9, tab, "FY25 ACD Directive" and bring into compliance all workshare discounts relevant to approved proposals that the Postal Service implements as well as remaining workshare discounts that are unaffected by the methodological changes but that have fallen out of compliance.*

Market Dominant, Non-Compensatory Classes:

- Periodicals:
 - *The Commission reiterates its longstanding findings that despite numerous initiatives to reduce flat-shaped mail costs, including Periodicals, these costs remain high and increased in FY 2025. The Commission encourages the Postal Service to continue maximizing its usage of rate authority granted under 39 C.F.R. § 3030.222 and to maximize Periodicals cost coverage through strategic pricing.*

Market Dominant, Non-Compensatory Products in Compensatory Classes:

- USPS Marketing Mail:
 - *The Commission finds that the cost coverage for USPS Marketing Mail Flats remained deficient in FY 2025 and reminds the Postal Service that under 39 C.F.R. § 3030.221, it must propose a rate increase for USPS Marketing Mail Flats that is at least 2 percentage points above the average increase for the class in any rate adjustment filing affecting USPS Marketing Mail. The Commission urges the Postal Service to continue to pursue cost reductions of flat-shaped products, including USPS Marketing Mail Flats.*
- Package Services:
 - *The Commission finds that the FY 2025 revenue for Alaska Bypass Service was insufficient to cover its attributable costs. Although the Postal Service explains that accrued costs for Alaska Bypass Service are largely outside its control, the Commission encourages it to evaluate costs in an effort to improve Alaska Bypass Service cost coverage. The Commission reminds the Postal Service that under 39 C.F.R. § 3030.221, the Postal Service must increase the prices of Alaska Bypass Service by at least 2 percentage points above the class average in each Market Dominant rate adjustment affecting Package Services through the issuance of the FY 2026 ACD.*

Market Dominant, Fully Compensatory Classes:

- First-Class Mail:
 - *The Commission finds that all First-Class Mail products covered their attributable costs in FY 2025. The Commission encourages the Postal Service to continue seeking ways to improve the cost coverage of the First-Class Mail class. The Commission further encourages the Postal Service to monitor cost coverage and revenue trends related to Outbound Single-Piece First-Class Mail International.*
- Special Services:
 - *The Commission finds that all Special Services products covered their attributable costs in FY 2025. The Commission encourages the Postal Service to continue seeking ways to improve the cost coverage of the Special Services class.*

Competitive Products, Cross-Subsidization:

- *The Commission finds Competitive products satisfied 39 U.S.C. § 3633(a)(1) in FY 2025.*

Competitive Products, Cost Coverage, Domestic:

- Competitive Domestic Products with Rates of General Applicability:
 - *The Commission finds that, in FY 2025, every Competitive domestic product with rates of general applicability covered its attributable cost and, thereby, satisfied the statutory requirements of 39 U.S.C. § 3633(a)(2). See Library Reference USPS-FY25-1.*
- Competitive Domestic Products Consisting of NSAs:
 - *The Commission finds that 20 domestic NSAs did not cover their costs in FY 2025.¹ No further action is required for the nine non-compensatory contracts that have either been terminated or renegotiated at higher rates.*
 - *The Commission is concerned about the growing number of NSAs that fail to cover costs or have a component that fails to cover costs. Accordingly, the Commission directs the Postal Service to file along with its FY 2026 Annual Compliance Report filing, the original financial workpapers and a comparison report of the original*

¹ Priority Mail Express, Priority Mail & USPS Ground Advantage (MMNPR2-1084); Priority Mail Express, Priority Mail & USPS Ground Advantage (MMNPR2-1128); Priority Mail Express, Priority Mail & USPS Ground Advantage (MMNPR2-1011); Priority Mail Express, Priority Mail & USPS Ground Advantage (MMNPR2-0163); Priority Mail Express, Priority Mail & USPS Ground Advantage (MMNPR1-0176); Priority Mail Express, Priority Mail & USPS Ground Advantage Contract 306; Priority Mail Express, Priority Mail & USPS Ground Advantage Contract 278; Priority Mail & USPS Ground Advantage Contract 113; Priority Mail & USPS Ground Advantage Contract 312; Priority Mail & USPS Ground Advantage Contract 148; Priority Mail Express & USPS Ground Advantage Contract 1; Priority Mail & USPS Ground Advantage Contract 347; Priority Mail Express, Priority Mail, USPS Ground Advantage & Parcel Select Contract 2; Priority Mail Contract 755; Priority Mail Contract 800; Priority Mail Contract 805; Priority Mail Contract 807; Priority Mail Contract 809; Priority Mail Contract 815; Priority Mail Contract 850.

projected financial data to the actual financial data of any NSAs that do not achieve 100 percent cost coverage as part of the ACR. Additionally, the Commission directs the Postal Service to provide a detailed description of each agreement's performance, an explanation of why the agreement did not cover its cost, a description of any mitigating actions that the Postal Service took during the fiscal year under review, and the Postal Service's plan of action to bring the agreement to positive cost coverage. If the Postal Service's plan of action does not include the termination of such an agreement, the Commission directs it to provide a detailed explanation of the factors supporting the Postal Service's decision to renegotiate or monitor the agreement.

Competitive Products, Cost Coverage, International:

- Competitive International Products with Rates of General Applicability:
 - *The Commission finds that International Direct Sacks—Airmail M-Bags was not in compliance with 39 U.S.C. § 3633(a)(2) in FY 2025. The Commission encourages the Postal Service to monitor the impact of the price increase on the volume and cost coverage of the product and make further decisions with regard to the product.*

- Competitive International Products Consisting of NSAs:
 - *The Commission concludes that Competitive outbound international products consisting of NSAs satisfied 39 U.S.C. § 3633(a)(2), except for three Competitive outbound international contracts that did not cover their attributable costs.² Of these three contracts, one has revised rates that were favorably reviewed by the Commission, one has expired, and one will expire on March 31, 2026. In addition, no additional contract is expected to be included in GEPS—NPR 16 in the future. The Commission continues to strongly encourage the Postal Service to enforce the minimum volume and/or revenue requirement in each NSA and to seriously consider the viability of certain outbound NSAs whose projected volume and cost coverage call into question whether their financial performance will be compensatory given the current volatility in cost and losses in economies of density.*
 - *The Commission concludes that Competitive inbound international products consisting of NSAs satisfied 39 U.S.C. § 3633(a)(2). The Commission encourages the Postal Service to continue to monitor the cost coverage of sub-product level items and to take proactive actions if any of the sub-product level items could potentially negatively impact the cost coverage at the product level.*

² The Commission notes that although one included contract within the Global Expedited Package Services—Non-Published Rates 16 (GEPS — NPR 16) product did not cover its attributable cost, the GEPS—NPR 16 product as a whole covered its attributable cost.

Competitive Products, Appropriate Share:

- *The Commission finds that in FY 2025 Competitive products satisfied 39 U.S.C. § 3633(a)(3) by covering an appropriate share of the Postal Service's institutional costs.*

Nonpostal Services and Interagency Agreements:

- **Market Dominant and Competitive Legacy Nonpostal Products:**
 - *The Commission finds that the Postal Service complied with the applicable requirements of 39 U.S.C. chapter 37 during FY 2025 with respect to Market Dominant and Competitive legacy nonpostal products. In addition, Competitive legacy nonpostal products satisfied the cost coverage requirement of 39 U.S.C. § 3633(a)(2) because revenues exceeded attributable cost for each Competitive legacy nonpostal product.*
- **Interagency Agreements (IAAs):**
 - *The Commission finds that the Postal Service complied with the applicable requirements of 39 U.S.C. chapter 37 during FY 2025 with respect to IAAs.*
 - *The Commission directs the Postal Service to review all active IAAs to ensure that there are not any other active IAAs entered into during or before FY 2025 that have not yet been identified to the Commission, even if the IAA has not yet had any volume or activity associated with it. The Postal Service shall file a report on this issue in this docket within 60 days, identifying any such agreements and providing copies of them.*
 - *The Commission directs the Postal Service to begin filing a quarterly update to the IAA Summary List workbook as a periodic report within 14 days after the last day of each quarter of the fiscal year. This filing should specifically note all extensions, expirations, and early terminations that have occurred since the most recent ACR filing or quarterly update. It should also contain a separate tab identifying any agreements that have been removed from the IAA Summary List workbook since the Postal Service's most recent ACR filing or quarterly update. The Commission encourages the Postal Service to review the IAA Summary List workbook and related docket filings each quarter to identify errors and ensure the quality and accuracy of the workbook. The first quarterly update shall be for FY 2026, Quarter 3, and shall be due on July 14, 2026.*

Service Performance:

- **Market Dominant Service Performance:**
 - *The Commission directs the Postal Service to improve service performance results to achieve the applicable on-time service performance target level for non-compliant products in FY 2026. The Commission has specifically developed directives designed to increase transparency regarding service performance for non-compliant products. These directives are set out in Section VI.A.3., supra.*
 - *The Commission appreciates the Postal Service's avowed intention to elevate service performance by improving its underlying operations. As such, the Commission reiterates its expectation that the Postal Service will renew its focus on improving service performance in both the short and long term in FY 2026.*
 - *The Postal Service appears unable to identify targets that are both operationally realistic and promote continuous improvement. Additionally, the Postal Service's decision to dramatically lower service performance targets in FY 2025 appears to have been an implicit recognition that the speed of mail would deteriorate as a result of the DFA Plan, including in categories of mail products that had a slower service standard in FY 2025. The Commission recommends that the Postal Service provide greater clarity regarding the purpose and basis behind changed targets to help the Commission evaluate the reasonableness of such targets and promote public transparency.*

- **First Class Mail:**
 - *The Postal Service decided to implement longer service standards along with lower service performance targets for First-Class Mail in FY 2025. Nonetheless, most First-Class Mail products did not meet the Postal Service's more modest targets for FY 2025. Noting that for FY 2026, the Postal Service has raised its targets for all Single-Piece Letters/Postcards and Presorted Letters/Postcards categories and has not decreased any FY 2026 First-Class Mail targets, the Commission reiterates its expectation that the Postal Service intends to renew its focus on improving First-Class Mail service performance for FY 2026. The Commission has taken the public comments into account in formulating its directives, which aim to elicit information and data regarding the efficacy of the Postal Service's service performance initiatives and the steps that the Postal Service will take to improve service performance for its First-Class Mail products, as detailed in Section VI.A.3., supra. Additionally, the Commission directs the Postal Service to develop and implement mitigation strategies to address the service performance delays resulting from DFA Plan implementation and report to the Commission about these strategies in the FY 2026 ACR.*

- USPS Marketing Mail:
 - *The Commission has taken these comments into account in formulating its directives, which aim to elicit information and data regarding the efficacy of the Postal Service's service performance initiatives and the steps that the Postal Service will take to improve service performance for its USPS Marketing Mail products, as detailed in Section VI.A.3., supra.*

- Periodicals:
 - *The Postal Service decided to implement longer service standards along with lower service performance targets for Periodicals in FY 2025. Nonetheless, both Periodicals products failed to meet the Postal Service's more modest goals for FY 2025. Noting that for FY 2026, the Postal Service has not decreased Periodicals targets, the Commission reiterates its expectation that the Postal Service intends to renew its focus on improving Periodicals service performance for FY 2026. The Commission has taken the public comments into account in formulating its directives, which aim to elicit information and data regarding the efficacy of the Postal Service's service performance initiatives and the steps that the Postal Service will take to improve service performance for Periodicals, as detailed in Section VI.A.3., supra. The Commission will closely monitor the Postal Service's efforts to address these issues.*

- Package Services:
 - *The Commission has taken the public comments into account in formulating its directives, which aim to elicit information and data regarding the efficacy of the Postal Service's service performance initiatives and the steps that the Postal Service will take to improve service performance for Package Services, as detailed in Section VI.A.3., supra. The Commission will continue to monitor the Postal Service's efforts to address Package Services products' failure to meet their targets.*

- Commission Findings and FY 2026 Directives:
 - *The Commission finds that these products/categories were out of compliance in FY 2025 and directs the Postal Service to achieve applicable on-time targets in FY 2026. The Postal Service shall thoroughly analyze the underlying causes of these failures and implement corrective plans to meet those targets in FY 2026:*
 - *First-Class Mail*
 - *Single-Piece Letters/Postcards, 2-Day;*
 - *Single-Piece Letters/Postcards, 3-to-5-Day;*
 - *Presorted Letters/Postcards, Overnight;*

- *Flats, Overnight;*
 - *Flats, 2-Day;*
 - *Flats, 3-to-5-Day;*
 - *Outbound Single-Piece First-Class Mail International;*
 - *International Inbound Letter Post;*
 - *USPS Marketing Mail*
 - *Letters;*
 - *Parcels;*
 - *Carrier Route;*
 - *High Density and Saturation Letters;*
 - *High Density and Saturation Flats/Parcels;*
 - *Flats;*
 - *Periodicals*
 - *Within County;*
 - *Outside County;*
 - *Package Services*
 - *BPM Flats;*
 - *BPM Parcels;*
 - *Media Mail/Library Mail; and*
 - *Special Services*
 - *Post Office Box Service.*
- *First, the Commission directs the Postal Service to assess the effectiveness of the various aspects of the network – Network Entry/Acceptance, Transportation, Processing, and Delivery. The evaluation should determine which measures are in place to determine success or failure at each critical point within the network. In turn, it should also determine how these critical points are impacting overall service performance. The Postal Service is required to describe its findings, outline specific actions to be taken to correct these issues identified in these findings, a timeline for implementing these corrective actions and a Key Performance Indicator (KPI) that will be utilized for each initiative. Additionally, the evaluation should include quantitative comparisons with previous fiscal years (e.g., compare FY 2026 Quarter 1 to FY 2025 Quarter 1).*

- *Second, the Commission directs the Postal Service to provide information for each of the geographic Postal Service Divisions detailing progress in addressing root causes failures and the initiatives implemented to improve the performance of non-compliant First-Class Mail, USPS Marketing Mail, Periodicals, and Package Services products/categories. For each Division, the Postal Service shall provide a detailed plan to improve on-time service performance results for each class of mail that describes each planned initiative, the problem that the planned initiative is expected to remediate, the estimated timeframe for implementation and completion of each planned initiative, and the KPI(s) used to measure and evaluate progress toward completion. These reports should include quantitative data comparisons to previous fiscal years, (e.g., Q1 FY 2026 vs. Q1 FY 2025), with qualitative support where possible. The reports are due within 90 days of the issuance of this ACD and must be updated at the time of the FY 2026 ACR.*
- *Third, the Commission directs the Postal Service to provide CLT data for FY 2026, broken down by the nation, each area, and district, on a quarterly and annualized basis. In conjunction with this CLT data, the Postal Service shall also provide Plan Failure volumes for Outgoing Processing Operations, reported in aggregate, and within each mail class by shape. These data should be submitted within 90 days of the issuance of this ACD (by June 26, 2026) for FY 2026 Quarter 1, Quarter 2, and “mid-year.”³ Data shall be provided for FY 2026 Quarter 3 and Quarter 4, and annualized for the fiscal year in the FY 2026 ACR (by December 30, 2026).*
- *Fourth, to monitor the Postal Service’s initiatives to improve on-time service performance results for Inbound Letter Post and Outbound Single-Piece First-Class Mail International, the Commission directs the Postal Service to evaluate the efficacy of these initiatives at each ISC and the Honolulu facility. Reports should detail the progress made in implementing these initiatives, the plans for further improvements, data illustrating volume processed, and comparisons to the previous year (e.g., compare FY 2026 Quarter 1 to FY 2025 Quarter 1). These reports should include quantitative analysis, KPIs, and qualitative support where possible. The report for each facility shall be filed within 90 days of the issuance of this ACD. An updated report from each facility shall be filed at the time of the FY 2026 ACR.*
- *Fifth, the Commission directs the Postal Service to provide the following information in the FY 2026 ACR for Post Office Box Service: (1) an evaluation of the efficacy of the Postal Service’s FY 2026 initiatives (including the status of initiatives identified in previous dockets) to improve service performance for each product; and (2) a detailed plan explaining how each product’s results will be improved.*

³ Mid-year refers to the aggregation of the data for Quarters 1 and 2 of the fiscal year.

— *Lastly, each report shall identify a responsible Postal Service representative, with knowledge of the matters discussed, who will be available to provide prompt responses to requests for clarification from the Commission.*

Customer Access to Postal Services:

- **Brick and Mortar Locations:**
 - *The Postal Service must continue reporting the number of contractor-operated retail facilities using the CPUT system. To promote transparency and consistency, the number of retail facilities listed the FY 2026 Annual Report, FY 2026 ACR, and Library Reference USPS-FY26-33 must be consistent with the FY 2025 Annual Report at 31, as well as the revised FY 2025 ACR and Library Reference USPS-FY25-33.⁴ If there are any discrepancies, the Postal Service must identify and reconcile them in the FY 2026 ACR.*

- **Suspended Post Offices:**
 - *The Commission directs the Postal Service to file quarterly reports on the status of Post Offices suspended between FY 2017 and FY 2024. The Postal Service must file these reports in Docket No. ACR2025 within 40 days after the end of each quarter in FY 2026 and in FY 2027 for Quarters 1 and 2. Quarterly reports must continue to include a spreadsheet containing the following information for each suspension:*
 - a. Post Office Name*
 - b. Street Address*
 - c. City, State, and ZIP Code*
 - d. Suspension Date*
 - e. Suspension Reason*
 - f. Postal Area*
 - g. Postal District*
 - h. Facility ID*
 - i. Finance Number*
 - j. Facility Type*
 - k. Steps Completed in the Post Office Discontinuance Process*
 - l. Next Steps in the Post Office Discontinuance Process*

⁴ See February 13 Response to CHIR No. 4, questions 8-11, folder "PUBLIC_Supporting Materials_CHIR 4_ACR 2025_2.13.2026.zip folder Question 08-11_CHIR 04_ACR 2025;" Excel file "PostOfficesFY2025 (REV.2.13.26).xlsx."

- *Each quarterly report must reflect the most accurate data currently available. The Postal Service must continue to identify and reconcile any discrepancies or differences from prior quarterly reports in the report itself and the accompanying Excel spreadsheet by highlighting information added or changed and striking through information removed.*
- *Also, each quarterly report must describe the Postal Service's progress in resolving Post Offices suspended between FY 2017 and FY 2020. For the Post Offices suspended during this time period, quarterly reports must:*
 - *Provide the number of suspensions that were resolved during the quarter*
 - *If no progress was made during the quarter, explain why*
 - *Reconcile progress made each quarter, explain any deviation from the projected resolution date in the previous quarterly report, and update the projected resolution date as needed*
- *For each Post Office suspended between FY 2017 and FY 2020, the spreadsheet accompanying each quarterly report must:*
 - *Include the projected resolution date (fiscal year and fiscal quarter)*
 - *Highlight or otherwise emphasize suspensions that have progressed to the next step in the Post Office discontinuance process*
- *In the FY 2026 ACR, the Postal Service must:*
 - *Confirm that suspension data filed in the FY 2026 ACR and Library Reference USPS-FY26-33 are consistent with FY 2026 quarterly reports, the revised FY 2025 ACR, and revised Library Reference USPS-FY25-33.5 If there are any discrepancies, the Postal Service must identify and reconcile them in the FY 2026 ACR.*
 - *Confirm that the Postal Service resolved all Post Offices that were suspended between FY 2017 and FY 2020. If not confirmed, for the Post Offices suspended during this time period, the Postal Service must:*
 - *Describe the Postal Service's progress during FY 2026 and early FY 2027 in resolving these suspensions*
 - *Identify the suspensions that were either resolved or progressed to the next step in the Post Office discontinuance process*
 - *Explain why the Postal Service was unable to resolve all of these suspensions during FY 2026 as planned*

⁵ See February 13 Response to CHIR No. 4, questions 9-11, folder "PUBLIC_Supporting Materials_CHIR 4_ACR 2025_2.13.2026.zip folder Question 08-11_CHIR 04_ACR 2025," Excel file "PostOfficesFY2025 (REV.2.13.26).xlsx."

- *Identify any issues impeding the Postal Service's progress in resolving these suspensions*
 - *Update the plan for resolving Post Offices that are currently suspended in a timely manner that include specific, timebound steps for addressing suspensions. This plan must include the actions necessary and projected resolution dates (fiscal year and fiscal quarter) for resolving:*
 - *Any remaining Post Offices suspended between FY 2017 and FY 2020; and*
 - *Any offices suspended after that*
 - *For each Post Office that is suspended at the end FY 2026, the FY 2026 ACR or Library Reference USPS-FY26-33 must contain a spreadsheet that includes the same information required above for the quarterly reports.*
- **Collection Boxes:**
 - *The Commission will continue to monitor the number of collection boxes in Docket No. ACR2026. The FY 2026 ACR must continue to comply with 39 C.F.R. § 3055.91(c) by reporting, at the national and area levels, the number of collection boxes at the beginning and end of FY 2026, as well as the number of collection boxes added to new locations and removed during FY 2026. If there are any discrepancies between the number of collection boxes at the beginning and end of FY 2026 and the number of collection boxes added and removed during FY 2026, the Postal Service must reconcile these discrepancies in the FY 2026 ACR.*
- **Wait Time in Line:**
 - *The Commission will continue to monitor wait time in line in Docket No. ACR2026. In the FY 2026 ACR, the Postal Service must:*
 - *Describe actions taken and measures implemented during FY 2026 to improve wait time in line*
 - *Explain how these actions and measures impacted wait time in line in FY 2026*
 - *The Commission encourages the Postal Service to continue initiatives for improving wait time in line in FY 2026. If the national average wait time in line increases during FY 2026, the FY 2026 ACR must:*
 - *Explain why wait time in line increased, identifying root causes and factors contributing to the increase*
 - *Describe plans for improving wait time in line during FY 2027*
 - *Explain how these plans will specifically address the root causes of increased wait time in line*

- *In the Western Pacific area, if the average wait time increases between FY 2025 and FY 2026, the FY 2026 ACR must:*
 - *Identify root causes and factors contributing to the increase in that area*
 - *Describe plans for improving annual and quarterly wait time in line in the Western Pacific area in FY 2027*
- **Alternative Access to Postal Services:**
 - *The Commission finds that customers appear to have had sufficient access to postal services in FY 2025 because the Postal Service continued to make postal services available at retail facilities and through alternative access channels. The Commission will continue to monitor alternative access channels in FY 2026 to ensure that customers have regular and effective access to postal services in all communities.*
 - *In the FY 2026 ACR, for each alternative access channel that experiences a decline in revenue, the Postal Service must identify the root causes for these declines and describe plans to address them in FY 2027.*

Customer Satisfaction with Market Dominant Products:

- *In FY 2026, the Postal Service must continue to take appropriate actions to improve Market Dominant product satisfaction for all customer types. In the FY 2026 ACR, the Postal Service must:*
 - *Identify key drivers of Market Dominant product satisfaction for residential, small/medium business, and large business customers*
 - *Describe specific actions taken in FY 2026 to improve Market Dominant product satisfaction for each customer type*
 - *Identify the root causes of lower customer satisfaction for any product with a result that declines between FY 2025 and FY 2026*
 - *Describe specific plans for improving Market Dominant product satisfaction in FY 2027 that target products and customer types with lower satisfaction results in FY 2026*
- *If small/medium business customer satisfaction with USPS Marketing Mail continues to decline in FY 2026, the FY 2026 ACR must:*
 - *Describe actions taken in FY 2026 to improve small/medium business customer satisfaction for this mailing service, including how the Postal Service clarified the scope of products and services available to these customers*
 - *Explain why these actions were not effective in stemming the decline in USPS Marketing Mail customer satisfaction for small/medium business customers*

- *Describe specific plans in FY 2027 for improving USPS Marketing Mail customer satisfaction that specifically targets small/medium businesses*

Network Redesign:

- *The Commission recommends the Postal Service create a better system for tracking cost-savings associated with RTO as well as attempt to create a better balance of implementing network changes without the detriment of poor service performance.*

Flats:

- **Impact of flats operational initiatives:**
 - *The Commission recommends the Postal Service begin collecting data and providing analysis on operational initiatives, including GRID and PVO to evaluate their cost impacts.*
- **Bundle Breakage:**
 - *The Commission recommends that the Postal Service explore methods to mitigate the increasing costs of broken USPS Marketing Mail bundles.*
 - *The Commission recommends the Postal Service continue investigating other causes of bundle breakage.*
- **AFSM Processing:**
 - *The Commission continues to encourage the Postal Service to investigate and resolve causes for decreases in productivity in AFSM processing.*
- **Manual Sorting:**
 - *The Commission urges the Postal Service to actively investigate anomalous rise in flats distribution workhours and will continue to monitor the Postal Service's efforts to improve tracking of manually processed flats.*
- **Transportation:**
 - *The Commission recommends the Postal Service establish specific and quantifiable goals to improve national on-time performance for departure and arrival.*
- **Delivery:**
 - *The Commission recommends developing additional initiatives that can effectively reduce unit delivery cost for flats products.*

Appendix B: Initial and Reply Comments

Commenter	Full Form Citation	Short Form Citation
Association for Postal Commerce (PostCom)	Comments of the Association for Postal Commerce, January 27, 2026.	PostCom Comments
Greeting Card Association (GCA)	Initial Comments of the Greeting Card Association, January 27, 2026.	GCA Comments
National Association of Presort Mailers (NAPM)	Comments of the National Association of Presort Mailers, January 27, 2026.	NAPM Comments
National Postal Policy Council (NPPC)	Comments of the National Postal Policy Council, January 27, 2026.	NPPC Comments
News/Media Alliance (N/MA)	Comments of the News/Media Alliance, January 27, 2026.	N/MA Comments
Pitney Bowes Inc. (Pitney Bowes)	Comments of Pitney Bowes Inc. January 27, 2026.	Pitney Bowes Comments
Public Representative (PR)	Public Representative Comments January 27, 2026.	PR Comments
United States Postal Service (Postal Service)	Reply Comments of the United States Postal Service, February 10, 2026.	Postal Service Reply Comments

Appendix C: Information Requests and Responses to Information Requests

Full Form Citation	Short Form Citation
Chairman's Information Requests	
Chairman's Information Request No. 1 and Notice of Filing Under Seal, January 9, 2026.	CHIR No. 1
Chairman's Information Request No. 2 and Notice of Filing Under Seal, January 16, 2026.	CHIR No. 2
Chairman's Information Request No. 3, January 21, 2026.	CHIR No. 3
Chairman's Information Request No. 4 and Notice of Filing Under Seal, January 23, 2026.	CHIR No. 4
Chairman's Information Request No. 5 and Notice of Filing Under Seal, January 23, 2026.	CHIR No. 5
Chairman's Information Request No. 7 and Notice of Filing Under Seal, January 30, 2026.	CHIR No. 7
Chairman's Information Request No. 8 and Notice of Filing Under Seal, February 6, 2026.	CHIR No. 8
Chairman's Information Request No. 9, February 6, 2026.	CHIR No. 9
Chairman's Information Request No. 10, February 13, 2026.	CHIR No. 10
Chairman's Information Request No. 11, February 13, 2026.	CHIR No. 11
Chairman's Information Request No. 13, February 20, 2026.	CHIR No. 13
Chairman's Information Request No. 15, March 4, 2026.	CHIR No. 15
Chairman's Information Request No. 17, March 6, 2026.	CHIR No. 17
Chairman's Information Request No. 19 and Notice of Filing Under Seal, March 20, 2026.	CHIR No. 19

Full Form Citation	Short Form Citation
Responses to Chairman's Information Requests	
Notice of the United States Postal Service of Filing its Responses to Questions 1-20, 22-24, 26, 28-29, 31-38 of Chairman's Information Request No. 1 and of Filing Materials Under Seal – First Response Set, January 16, 2026.	January 16 Response to CHIR No. 1
Notice of the United States Postal Service of Filing its Responses to Questions 1, 21, 25, 27 of Chairman's Information Request No. 1 and of Filing Materials Under Seal – Second Response Set, January 23, 2026. ¹	January 23 Response to CHIR No. 1
Notice of the United States Postal Service of Filing its Responses to Questions 1-10, 12-21, 23-36, 38-49 of Chairman's Information Request No. 2 and of Filing Materials Under Seal – First Response Set, January 23, 2026.	January 23 Response to CHIR No. 2
Notice of the United States Postal Service of Filing its Responses to Question 30 of Chairman's Information Request No. 1 and of Filing Materials Under Seal – Third Response Set, January 30, 2026. ²	January 30 Response to CHIR No. 1
Notice of the United States Postal Service of Filing its Responses to Questions 11, 22, 37 of Chairman's Information Request No. 2 and of Filing Materials Under Seal – Second Response Set, January 30, 2026. ³	January 30 Response to CHIR No. 2
Notice of the United States Postal Service of Filing its Responses to Questions 3-7, 12-14 of Chairman's Information Request No. 4 and of Filing Materials Under Seal – First Response Set, January 30, 2026.	January 30 Response to CHIR No. 4
Notice of the United States Postal Service of Filing its Responses to Questions 1-7 of Chairman's Information Request No. 5 and of Filing Materials Under Seal – First Response Set, January 30, 2026.	January 30 Response to CHIR No. 5
Notice of the United States Postal Service of Filing its Responses to Questions 1-2 of Chairman's Information Request No. 4 and of Filing Materials Under Seal – Second Response Set, February 2, 2026. ⁴	February 2 Response to CHIR No. 4
Notice of the United States Postal Service of Filing its Responses to Chairman's Information Request No. 3 and of Filing Materials Under Seal, February 5, 2026. ⁵	February 5 Response to CHIR No. 3
Notice of the United States Postal Service of Filing its Responses to Chairman's Information Request No. 6 and Notice of Filing Materials Under Seal, February 5, 2026.	February 5 Response to CHIR No. 6

¹ The Postal Service filed a motion for late acceptance of its January 23 Response to CHIR No. 1. See Motion of the United States Postal Service for Late Acceptance of the Response to Questions 1, 21, 25, 27, 30 of Chairman's Information Request No. 1, January 23, 2026. The motion is granted.

² The Postal Service filed a motion for late acceptance of its January 30 Response to CHIR No. 1. See Motion of the United States Postal Service for Late Acceptance of the Response to Chairman's Information Requests, January 30, 2026. The motion is granted.

³ The Postal Service filed a motion for late acceptance of its January 30 Response to CHIR No. 2. See Motion of the United States Postal Service for Late Acceptance of the Response to Chairman's Information Requests, January 30, 2026. The motion is granted.

⁴ The Postal Service filed a motion for late acceptance of its February 2 Response to CHIR No. 4. See Motion of the United States Postal Service for Late Acceptance of the Response to Questions 1-2 of Chairman's Information Request No. 4, February 2, 2026. The motion is granted.

⁵ The Postal Service filed a motion for late acceptance of its February 5 Response to CHIR No. 3. See Motion of the United States Postal Service for Late Acceptance of the Response to Chairman's Information Request No. 3, February 5, 2026. The motion is granted.

Notice of the United States Postal Service of Filing its Responses to Questions 8-9 of Chairman's Information Request No. 5 – Second Response Set, February 6, 2026. ⁶	February 6 Response to CHIR No. 5
Notice of the United States Postal Service of Filing its Responses to Questions 1-9, 11-25 of Chairman's Information Request No. 7 and Notice of Filing Materials Under Seal – First Response Set, February 6, 2026.	February 6 Response to CHIR No. 7
Notice of the United States Postal Service of Filing its Responses to Questions 8-11 of Chairman's Information Request No. 4 – Third Response Set, February 13, 2026. ⁷	February 13 Response to CHIR No. 4
Notice of the United States Postal Service of Filing its Response to Question 10 of Chairman's Information Request No. 7 – Second Response Set, February 13, 2026. ⁸	February 13 Response to CHIR No. 7
Notice of the United States Postal Service of Filing its Responses to Questions 1-11, 13 of Chairman's Information Request No. 8 and Notice of Filing Materials Under Seal – First Response Set, February 13, 2026.	February 13 Response to CHIR No. 8
Notice of the United States Postal Service of Filing its Responses to Chairman's Information Request No. 10 and Notice of Filing Materials Under Seal, February 20, 2026.	February 20 Response to CHIR No. 10
Notice of the United States Postal Service of Filing its Responses to Questions 4-7 of Chairman's Information Request No. 11 – First Response Set, February 20, 2026.	February 20 Response to CHIR No. 11
Notice of the United States Postal Service of Filing its Responses to Questions 1-5, 13-15 of Chairman's Information Request No. 12 – First Response Set, February 20, 2026.	February 20 Response to CHIR No. 12
Notice of the United States Postal Service of Filing its Response to Questions 12 of Chairman's Information Request No. 8 – Second Response Set, February 23, 2026. ⁹	February 23 Response to CHIR No. 8
Notice of the United States Postal Service of Filing its Responses to Chairman's Information Request No. 13, February 26, 2026.	February 26 Response to CHIR No. 13
Notice of the United States Postal Service of Filing its Responses to Questions 1-3 of Chairman's Information Request No. 11 – Second Response Set, February 26, 2026. ¹⁰	February 26 Response to CHIR No. 11

⁶ The Postal Service filed a motion for late acceptance of its February 6 Response to CHIR No. 5. See Motion of the United States Postal Service for Late Acceptance of the Response to Questions 8-9 of Chairman's Information Request No. 5, February 6, 2026. The motion is granted.

⁷ The Postal Service filed a motion for late acceptance of its February 13 Response to CHIR No. 4. See Motion of the United States Postal Service for Late Acceptance of the Response to Chairman's Information Requests, February 13, 2026. The motion is granted.

⁸ The Postal Service filed a motion for late acceptance of its February 13 Response to CHIR No. 7. See Motion of the United States Postal Service for Late Acceptance of the Response to Chairman's Information Requests, February 13, 2026. The motion is granted.

⁹ The Postal Service filed a motion for late acceptance of its February 23 Response to CHIR No. 8. See Motion of the United States Postal Service for Late Acceptance of the Response to Question 12 of Chairman's Information Request No. 8, February 24, 2026. The motion is granted.

¹⁰ The Postal Service filed a motion for late acceptance of its February 26 Response to CHIR No. 11. See Motion of the United States Postal Service for Late Acceptance of the Responses to Questions 1-3 of Chairman's Information Request No. 11, February 26, 2026. The motion is granted.

Notice of the United States Postal Service of Filing its Responses to Questions 6-12 of Chairman's Information Request No. 12 – Second Response Set, February 27, 2026. ¹¹	February 27 Response to CHIR No. 12
Notice of the United States Postal Service of Filing its Responses to Chairman's Information Request No. 9, March 3, 2026. ¹²	March 3, 2026 Response to CHIR No. 9
Notice of the United States Postal Service of Filing its Responses to Chairman's Information Request No. 17 and Notice of Filing Materials Under Seal, March 13, 2026.	Response to CHIR No. 17
Notice of the United States Postal Service of Filing its Responses to Chairman's Information Request No. 15, March 17, 2026. ¹³	Response to CHIR No. 15

¹¹ The Postal Service filed a motion for late acceptance of its February 27 Response to CHIR No. 12. *See* Motion of the United States Postal Service for Late Acceptance of the Responses to Questions 6-12 of Chairman's Information Request No. 12, February 26, 2026. The motion is granted.

¹² The Postal Service filed a motion for late acceptance of its March 3 Response to CHIR No. 9. *See* Motion of the United States Postal Service for Late Acceptance of the Responses to Chairman's Information Request No. 9, March 3, 2026. The motion is granted.

¹³ The Postal Service filed a motion for late acceptance of its Response to CHIR No. 15. *See* Motion of the United States Postal Service for Late Acceptance of the Responses to Chairman's Information Request No. 15, March 17, 2026. The motion is granted.

Appendix D: Reports

Full Form Citation	Short Form Citation
Annual Compliance Report	
Docket No. ACR2025, United States Postal Service FY 2025 <i>Annual Compliance Report</i> , December 29, 2025.	FY 2025 ACR
Docket No. ACR2024, United States Postal Service FY 2024 <i>Annual Compliance Report</i> , December 30, 2024.	FY 2024 ACR
Annual Compliance Determination	
Docket No. ACR2024, <i>Annual Compliance Determination</i> , March 28, 2025.	FY 2024 ACD
Docket No. ACR2023, <i>Annual Compliance Determination</i> , March 28, 2024.	FY 2023 ACD
Docket No. ACR2022, <i>Annual Compliance Determination</i> , March 29, 2023.	FY 2022 ACD
Docket No. ACR2021, <i>Annual Compliance Determination</i> , March 29, 2022.	FY 2021 ACD
Docket No. ACR2020, <i>Annual Compliance Determination</i> , March 29, 2021.	FY 2020 ACD
Docket No. ACR2019, <i>Annual Compliance Determination</i> , March 25, 2020.	FY 2019 ACD
Docket No. ACR2018, <i>Annual Compliance Determination</i> , April 12, 2019.	FY 2018 ACD
Docket No. ACR2017, <i>Annual Compliance Determination</i> , March 29, 2018.	FY 2017 ACD
Docket No. ACR2016, <i>Annual Compliance Determination</i> , March 28, 2017.	FY 2016 ACD
Docket No. ACR2015, <i>Annual Compliance Determination</i> , March 28, 2016.	FY 2015 ACD
Docket No. ACR2014, <i>Annual Compliance Determination</i> , March 27, 2015.	FY 2014 ACD
Docket No. ACR2013, <i>Annual Compliance Determination</i> , March 27, 2014.	FY 2013 ACD
Docket No. ACR2010, <i>Annual Compliance Determination</i> , March 29, 2011.	FY 2010 ACD
Annual Report to Congress	
United States Postal Service Fiscal Year 2025 Annual Report to Congress, December 29, 2025 – Library Reference USPS-FY25-17.	FY 2025 Annual Report
United States Postal Service Fiscal Year 2024 Annual Report to Congress, December 30, 2024 – Library Reference USPS-FY24-17.	FY 2024 Annual Report
Delivering for America Plan	
United States Postal Service, <i>Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence</i> , March 23, 2021.	DFA Plan
United States Postal Service, <i>Delivering for America Second-Year Progress Report</i> , April 2023.	DFA Second-Year Progress Report

Full Form Citation	Short Form Citation
Financial Analysis of the United States Postal Service Financial Results and 10-K Statement	
Docket No. ACR2023, <i>Financial Analysis of United States Postal Service Financial Results and 10-K Statement</i> , June 17, 2024.	FY 2023 Financial Analysis
Flats Operations Study Report	
Docket No. SS2022-1, <i>Flats Operations Study Report</i> , April 6, 2023.	Docket No. SS2022-1, Flats Study
Docket No. SS2022-1, Submission of the United States Postal Service Flats Plan Pursuant to Section 206 of the Postal Service Reform Act of 2022, October 6, 2023.	Docket No. SS2022-1, October 6, 2023 Flats Plan
Docket No. RM2024-4, Elasticity Study, Phase 1, June 9, 2025 (Revised June 23, 2025, January 13, 2026).	Docket No. RM2024-4, Revised Elasticity Study
Docket No. SS2022-1, United States Postal Service Response to Commission Order on Postal Service Flats Plan and Supplemental Flats Plan and Application for Non-Public Treatment, June 25, 2025.	Docket No. SS2022-1, June 25, 2025 Response

Appendix E: Orders

Full Form Citation	Short Form Citation
Docket No. PI2010-1, Notice and Order Providing an Opportunity to Comment, November 9, 2009.	Order No. 335
Docket No. RM2009-11, Order Establishing Final Rules Concerning Periodic Reporting of Service Performance Measurements and Customer Satisfaction, March 25, 2010.	Order No. 465
Docket No. ACR2010-R, Order on Remand, August 9, 2012.	Order No. 1427
Docket No. MC2010-24, Order Approving Mail Classification Schedule Descriptions and Prices for Nonpostal Service Products, December 11, 2012.	Order No. 1575
Docket No. PI2015-1, Order Approving Use of Internal Measurement Systems, July 5, 2018.	Order No. 4697
Docket No. RM2017-1, Order Adopting Final Rules Relating to the Institutional Cost Contribution Requirement for Competitive Products, January 3, 2019.	Order No. 4963
Docket Nos. MC2019-127 and CP2019-136, Order Adding Priority Mail Express & Priority Mail Contract 92 to the Competitive Product List, April 30, 2019.	Order No. 5077
Docket No. RM2018-1, Order Adopting Final Rules on Reporting Requirements Related to Flats, May 8, 2019.	Order No. 5086
Docket No. RM2017-3, Order Adopting Final Rules for the System of Regulating Rates and Classes for Market Dominant Products, November 30, 2020.	Order No. 5763
Docket No. PI2022-1, Notice and Order Providing an Opportunity to Comment on the Postal Service's Process for Resolving Suspended Post Offices, February 3, 2022.	Order No. 6101
Docket No. ACR2022, Order Granting Motion for Extension of Time to Respond and for Partial Reconsideration of Question 9 of Chairman's Information Request No. 10, February 10, 2023.	Order No. 6440
Docket No. RM2023-7, Order on Analytical Principles Used in Periodic Reporting (Proposal Two), Directing the Postal Service's Participation in Further Proceedings, and Providing Notice of Filing Attachment Under Seal, August 31, 2023.	Order No. 6659
Docket No. R2023-3, Order on Market Dominant Price Change Creating Two Incentives, September 27, 2023.	Order No. 6713
Docket No. RM2023-5, Notice of Proposed Rulemaking to Amend Rules Regarding Competitive Negotiated Service Agreements, January 30, 2024.	Order No. 6953
Docket Nos. RM2024-4, <i>et al.</i> , Advance Notice of Proposed Rulemaking on the Statutory Review of the System for Regulating Rates and Classes for Market Dominant Products, April 5, 2024.	Order No. 7032

Full Form Citation	Short Form Citation
Docket No. R2024-2, Order on Price Adjustments for First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, May 30, 2024.	Order No. 7155
Docket No. MC2024-413, Order Approving the Removal of International Money Transfer Service–Outbound and Conditionally Approving the Removal of International Money Transfer Service–Inbound from the Competitive Product List, August 9, 2024.	Order No. 7352
Docket No. RM2023-11, Order on Analytical Principles Used in Periodic Reporting (Proposal Six), August 20, 2024.	Order No. 7391
Docket No. RM2022-3, Order Approving Analytical Principles Used in Periodic Reporting (Proposal One), August 26, 2024.	Order No. 7411
Docket No. RM2025-4, Notice of Proposed Rulemaking on Analytical Principles Used for Periodic Reports Concerning Labor Productivities for Non-Mods Manual Distribution, FY 2025, November 15, 2024.	Order No. 8002
Docket No. SS2022-1, Order on Postal Service Flats Plan, December 27, 2024.	Order No. 8436
Docket No. RM2025-6, Notice of Proposed Rulemaking on Analytical Principles Used for Periodic Reports Concerning Updated Facility Rental Analysis, FY 2025, December 30, 2024.	Order No. 8459
Docket No. ACR2024, Order Granting Motion for Partial Reconsideration of Question 14 of Chairman's Information Request No. 2, January 24, 2025.	Order No. 8656
Docket No. RM2020-5, Final Order Amending Rules Regarding Rate Incentives for Market Dominant Products, February 19, 2025.	Order No. 8708
Docket No. RM2025-4, Order Approving Analytical Principles Used in Periodic Reporting, February 21, 2025.	Order No. 8713
Docket No. RM2025-6, Order on Analytical Principles Used for Periodic Reports Concerning Updated Facility Rental Analysis, FY 2025, March 14, 2025.	Order No. 8737
Docket Nos. RM2024-9 and PI2025-2, Interim Order Regarding Proposed Service Performance Measurement Changes, March 28, 2025.	Order No. 8761
Docket No. ACR2024, Determination of Available Market Dominant Rate Authority, March 28, 2025.	Order No. 8760
Docket No. R2025-1, Order on Price Adjustments for First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, May 30, 2025.	Order No. 8867
Docket No. RM2025-10, Notice of Proposed Rulemaking on Analytical Principles Used for Periodic Reports Concerning Revenue, Pieces, and Weight Methodology, June 3, 2025.	Order No. 8882
Docket Nos. RM2024, <i>et al.</i> , Order Presenting Findings on the Statutory Review of the System for Regulating Rates and Classes for Market Dominant Products (Phase 1 Completion), June 9, 2025.	Order No. 8891

Full Form Citation	Short Form Citation
Docket No. RM2024-4, <i>et al.</i> , Procedural Order on Phased Rulemaking, June 9, 2025.	Order No. 8892
Docket No. RM2024-4, <i>et al.</i> , Notice of Proposed Rulemaking on the Statutory Review of the System for Regulating Rates and Classes for Market Dominant Products (Phase 2A Initiation), June 9, 2025.	Order No. 8893
Docket Nos. MC2025-1483 and RM2025-11, Notice and Order Concerning United States Postal Service Proposal to Modify the Product Descriptions of First-Class Mail, USPS Marketing Mail, and Periodicals and Notice of Proposed Rulemaking to Initiate a Proceeding to Change Analytical Principles, June 12, 2025.	Order No. 8907
Docket No. RM2024-9, <i>et al.</i> , Interim Order Regarding Further Proceedings on Planned Service Performance Measurement Changes, June 27, 2025.	Order No. 8942
Docket No. RM2025-12, Notice of Proposed Rulemaking on Analytical Principles Used for Periodic Reports Concerning USPS Marketing Mail Workshare Discount Passthroughs, July 9, 2025.	Order No. 8990
Docket No. RM2025-10, Order on Analytical Principles Used for Periodic Reports Concerning Revenue, Pieces, and Weigh Methodology, July 17, 2025.	Order No. 9025
Docket Nos. MC2025-1483 and RM2025-11, Order Approving in Part Changes to Analytical Principles and Product Descriptions and Ordering Further Proceedings on Proposal One and Periodicals Zone-Based Pricing, August 14, 2025.	Order No. 9086
Docket Nos. MC2025-1483 and RM2025-11, Order Denying in Part United States Postal Service Proposal to Modify the Product Descriptions of First-Class Mail, USPS Marketing Mail, and Periodicals and Denying in Part the Petition of the United States Postal Service to Change Analytical Principles, October 10, 2025.	Order No. 9260
Docket No. MC2026-21, Order Approving Material Classification Changes Regarding Competitive International Registered Mail, November 5, 2025.	Order No. 9333
Docket No. PI2022-1, Order Closing Docket, November 25, 2025.	Order No. 9370
Docket No. RM2023-7, Order on Motion for Reconsideration and Clarification of Order No. 6659, December 1, 2025.	Order No. 9377
Docket No. SS2022-1, Order on Postal Service Supplemental Flats Plan, December 15, 2025.	Order No. 9398
Docket No. K2025-825, Order Approving Modification to Inbound Competitive Multi-Service Agreement with Foreign Postal Operator – FY25-3 and Directing Further Actions, December 30, 2025.	Order No 9413
Docket No. ACR2025, Notice and Order Regarding the Postal Service’s Fiscal Year 2025 Annual Compliance Report, December 30, 2025.	Order No. 9417
Docket No. ACR2025, Notice Requesting Comments on the Postal Service FY 2025 Annual Performance Report and FY 2026 Annual Performance Plan, January 7, 2026.	Order No. 9422

Full Form Citation	Short Form Citation
Docket No. RM2024-4, <i>et al.</i> , Order Adopting Rules Limiting Frequency of Rate Increases Above the <i>De Minimis</i> Threshold and Adding Criteria for Workshare Discounts for Market Dominant Products (Phase 2A Completion), January 13, 2026.	Order No. 9426
Docket Nos. RM2024-4, <i>et al.</i> , Procedural Order on 39 CFR 3010.201(B) Proposals, January 13, 2026.	Order No. 9427

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In connection with Section 2 of the Plain Writing Act of 2010, the Postal Regulatory Commission is committed to providing communications that are valuable to our readers.

We would like to hear your comments on what you find useful about our Analysis of the Postal Service's FY 2025 *Annual Compliance Determination* and how we can improve its readability and value.

Please contact the Commission's Office of Public Affairs and Government Relations to provide your feedback.

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