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Financial Analysis of United States Postal Service Financial Results and 10-K Statement

Fiscal Year 2024

May 8, 2025

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Chapter I. Overview

Purpose of This Report

This report provides an in-depth analysis of the Postal Service's financial performance primarily using information reported in its FY 2024 Form 10-K measured against FY 2023 and its *FY 2024 Integrated Financial Plan* (Financial Plan).[1] Additionally, data filed with the *FY 2024 Annual Compliance Report*[2](ACR), such as the *Cost and Revenue Analysis* report (CRA), the *Cost Segments and Components* (CSC) report, and the *Revenue, Pieces, and Weight* (RPW) report, are utilized in developing this report.

This chapter provides a summary of the Commission's findings.

Chapter 2 analyzes the Postal Service's overall financial status. The Commission evaluates relationships between the essential components of the Postal Service's financial statements to understand the Postal Service's profitability, stability, and long-term viability.

Chapter 3 describes the calculation of attributable and institutional cost and examines the overall trends for Market Dominant and Competitive products and services. It includes comparisons of volume, revenue, and cost between FY 2023 and FY 2024, as well as trend analyses that highlight changes in volume, revenue, and cost that have occurred over time.

Chapter 4 disaggregates broad categories of costs into segments categorized by function and includes a discussion of labor costs and workhours. The Commission also develops a contribution margin income statement that facilitates analysis of the relationships between revenue, attributable costs, institutional costs, and overall net income or loss.

The report also includes two appendices. Appendix A contains a summary table showing volume, revenue, attributable cost, contribution to institutional cost, revenue per piece, cost per piece, contribution per piece, and cost coverage for each product and class of mail. Appendix B includes an analysis of the Postal Service's Total Factor Productivity (TFP) measure.

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[1] The Integrated Financial Plan is a Postal Service report that includes the operating plan, capital investment plan, and financing plan for the fiscal year. This document is required to be filed as a periodic report pursuant to the 39 C.F.R. § 3050.

[2] Docket No. ACR2024, United States Postal Service FY 2024 *Annual Compliance Report*, December 30, 2024 (FY 2024 ACR).

Volume Declines and Cost Increases Result in Continued Losses—Key Findings

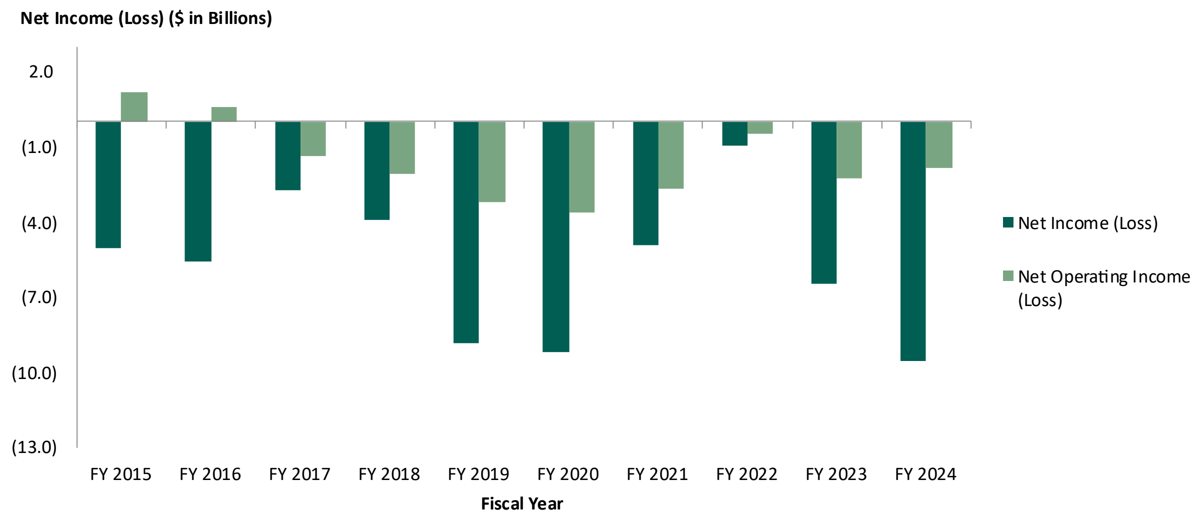
In FY 2024, the Postal Service recorded a net loss from operations of $1.8 billion,[3] a $0.4 billion improvement from the prior year. The decrease in the FY 2024 net operating loss is the result of a $1.2 billion increase in operating revenue, partially offset by an increase of $0.6 billion in operating expenses. The increase in operating expenses occurred despite total volume decreasing by 3.2 percent, including a 3.5 percent decrease in the volume of Market Dominant products. The disconnect between workload and costs also resulted in a 0.12 percent decrease in Total Factor Productivity (TFP), marking the eighth decline in the last nine years. Despite the volume decreases, operating revenue increased by 1.5 percent. Market Dominant product prices increased by approximately 15 percent between July 2023 and the end of FY 2024

When Non-operating Expenses (NOEs) are included,[4] the Postal Service had a net loss of $9.5 billion. This is a deterioration of $3 billion compared to FY 2023. Figure I-1 shows net income (loss) and net operating income (loss) results for the period FY 2015 – FY 2024.

[3] Postal Service FY 2024 Form 10-K. Net income or loss from operations is also referred to as net operating income (loss). The Commission's calculation of net operating income (loss) differs from the controllable net income (loss) reported in Postal Service Form 10-K. The Postal Service excludes the difference in the normal cost of Retiree Health Benefits from its controllable income (loss) because it is the result of actuarial changes. Postal Service FY 2024 Form 10-K at 20.

[4] NOEs include all non-cash workers' compensation costs, accruals to retirement accounts, and one-time adjustments.

Figure I-1
Postal Service Net Income Trends



Source: United States Postal Service, Form 10-K FY 2024, November 14, 2024; United States Postal Service, Form 10-K FY 2023, November 14, 2023; United States Postal Service, Form 10-K FY 2022, November 10, 2022; United States Postal Service, Form 10-K FY 2021, November 10, 2021; United States Postal Service, Form 10-K FY 2020, November 13, 2020; United States Postal Service, Form 10-K FY 2019, November 14, 2019; United States Postal Service, Form 10-K FY 2018, November 16, 2018; United States Postal Service, Form 10-K FY 2017, November 14, 2017; United States Postal Service, Form 10-K FY 2016, November 28, 2016; United States Postal Service, Form 10-K FY 2015, November 13, 2015; (Collectively Postal Service Form 10-K, FY 2015-FY 2024)

As seen in Figure I-1, the Postal Service has not had a profitable year in the last decade. Even when excluding NOEs, the Postal Service had posted a net operating income for only two of the last 10 years, FY 2015 through FY 2016, when the exigent price increase was in effect.[5]

These continuing losses have negatively affected the Postal Service's financial position, creating a substantial gap between the Postal Service's assets and liabilities. At the end of FY 2024, the Postal Service recorded total assets of $45.6 billion and total liabilities of $78.2 billion. Financial sustainability of the Postal Service is adversely impacted by insufficient current assets to cover current liabilities.

[5] From January 2014 to April 2016, an exigent price surcharge allowed the Postal Service to recover $4.6 billion in net revenue above its price cap due to volume declines attributable to the Great Recession.

At the end of FY 2024:

- The Postal Service's net loss was $9.5 billion.
    - The net deficit was $32.6 billion, consisting of an accumulated deficit of $48.8 billion offset by capital contributions of $16.1 billion.
    - Capital assets experienced the highest positive growth recorded since the start of the PAEA.
- The Postal Service's cash and cash equivalents total, excluding restricted cash and short-term investments, was $4.6 billion, a decrease of $3.5 billion. When including short-term investments, the total decrease was $2.8 billion.
    - The Postal Service reached its PAEA mandated debt ceiling of $15 billion; an increase of $3 billion compared to the prior year.
- The cash ratio was 0.39, a decrease of 0.11 compared to the prior year. The FY 2024 cash ratio was also higher than the 10-year average of 0.28.
- The Postal Service's operating revenue was $79.5 billion, which was $1.2 billion higher than the previous year.
    - In FY 2024, revenue from Competitive products increased by $0.5 billion.
    - Market Dominant products revenue increased by $0.8 billion in FY 2024, resulting from price increases.
- Total operating expenses stood at $81.8 billion, which were $0.6 billion higher in FY 2024 than the prior year, and $0.2 billion less than the Integrated Financial Plan.
    - Highway transportation expenses decreased by 8.2 percent from network optimization efforts as a part of the Delivering for American plan.
    - Air transportation expenses decreased by 20.8 percent from a shift in package volume from air to highway transportation.
    - Total operating expenses were more than planned from higher-than-expected compensation and benefits.
- Compensation and benefits were $0.5 billion higher than expected from the inflationary effects on COLAs.

- Personnel-related expenses made up 67.7 percent of total expenses.
    - Overtime hours decreased by 12 million hours.
    - The number of total postal employees remained virtually unchanged from the prior year. Since FY 2020 the non-career workforce has declined by approximately 42,100 employees while the career workforce has increased by 37,400 employees.

Chapter II. Postal Service Financial Status

Introduction

The Commission evaluates the relationships of the essential components of the Postal Service's financial statements to analyze the Postal Service's profitability, stability, and long-term viability.

The Commission's analysis, primarily based upon the Postal Service's Form 10-K financial statements, provides a basis for comparing FY 2023 and FY 2024. The Commission also incorporates select key financial data from various relevant periods to support this analysis.

The Postal Service's Form 10-K report consists of:

- Income Statements, which measure the Postal Service's financial performance (profit and loss) over the fiscal year.
- Balance Sheets, which summarize the Postal Service's assets and liabilities held at the end of the fiscal year.
- Statements of Changes in Net Deficiency, which combine the accumulated net deficit from operations and initial capital contributions.
- Statements of Cash Flows, which measure the Postal Service's inflows and outflows of cash during the fiscal year.

This chapter is divided into the following sections:

Analysis of Income Statements: This section reviews overall income and expenses and compares actual revenue and expenses with those forecasted for the current year and reported during the prior fiscal year. It also includes an analysis of key financial ratios that help the Commission further assess the Postal Service's profitability.

Analysis of Balance Sheets: This section begins with a summary of the Postal Service's assets and liabilities at the end of the fiscal year. The section also discusses changes in net deficiency, which occur because Postal Service liabilities exceed its assets. The remainder of the section provides a financial ratio analysis to assess both the short-term and long-term stability of the Postal Service.

Analysis of Statements of Cash Flows: This section analyzes the Postal Service's inflows and outflows of cash and debt during the year.

Analysis of Income Statements

To facilitate a detailed financial analysis of the Postal Service's Income Statements, the Commission separately identifies elements of reported operating revenue and operating expenses. Net operating revenue includes mail and services revenue, miscellaneous item revenue, and government appropriations revenue.[6] Net operating expense is calculated as total expenses minus accruals for certain unfunded retirement liabilities and the non-cash adjustments to the workers' compensation liability.[7]

In FY 2024 unfunded retirement liabilities consisted of amortization payments to the Federal Employee Retirement System (FERS) and the Civil Service Retirement System (CSRS). Prior to the passage of the Postal Service Reform Act of 2022 (PSRA), unfunded retirement liabilities also included a requirement to prefund future retiree health benefits. That liability totaled $57 billion[8] in April of FY 2022. The PSRA removed the Postal Service's obligation to prefund retiree health benefits and instead requires postal retirees to enroll in Medicare, when eligible. This resulted in the removal of the $57 billion liability from the balance sheet.

Beginning in FY 2017, OPM began annually revaluing the CSRS liability and assessing installment payments to liquidate the unfunded liability by FY 2043. In FY 2024, the Postal Service did not pay its annual installment of $3.2 billion. Postal Service FY 2024 Form 10-K at 61. As of September 30, 2024, the Postal Service had a total of $17 billion in unpaid CSRS liabilities for years FY 2017 through FY 2024. *Id*. at 41.

The FERS is a defined benefit plan that, until FY 2013, had assets that exceeded its liabilities. Since FY 2013, FERS liabilities have grown faster than assets, requiring the Postal Service to make annual amortization payments. OPM calculates these payments annually to liquidate the unfunded liability over a 30-year period on a rolling basis. In FY 2024, the Postal Service paid $1 billion of the total $2.3 FERS obligation, leaving $1.3 billion

[6] In FY 2024, $79 billion (98 percent) of total Postal Service revenue came from the sale of postage and mail services. Miscellaneous revenue includes adjustments and revenue for miscellaneous items. The Postal Service also received a small governmental appropriation for providing free mail for the blind and overseas voting and a few other programs.

[7] These adjustments and expenses are properly recognized as accrual entries on the Postal Service's Income Statements and are disaggregated by the Commission to provide an in-depth analysis of the financial results for FY 2024. The Postal Service considers these expenses non-controllable.

[8] The $57 billion included the defaulted prefunding RHBF payments of $33.9 billion from FY 2012 through FY 2017, the defaulted RHBF amortization payments totaling $4.3 billion for years FY 2017 through FY 2021 and defaulted payments for retiree health benefits normal costs totaling $18.8 billion for years FY 2017 through FY 2021.

THE POSTAL SERVICE'S FY 2024 TOTAL NET LOSS IS $9.5 BILLION, $3 BILLION MORE THAN THE FY 2023 NET LOSS.

outstanding. *Id.* at 61. Since FY 2013, the Postal Service has accumulated total unpaid FERS liabilities of $10.1 billion. *Id*. at 41.

The non-cash adjustment to workers' compensation refers to changes in the estimated liability that are recognized on the financial statements without any actual cash payments or receipts. The adjustment represents changes to the estimated liability for workers' compensation claims and benefits resulting from fluctuations in discount rates, changes in assumptions, valuation of new claims, revaluation of existing claims, and the administrative fee, less current year claim payments. *Id*. at 21.

Disaggregating the expenses in the Income Statement highlights the Postal Service's income with and without these statutorily required payments and the non-cash adjustments to the workers' compensation liability. Table II-1 illustrates the Commission's disaggregated version of the Income Statements.

Table II-1
Analysis of Postal Service Income Statements, FY 2023 and FY 2024 ($ in Millions)

	FY 2023	FY 2024	$ Change	FY 2024 Plan	$ Change from Plan
Net Operating Revenue	**$78,383**	**$79,547**	**$1,164**	**$80,741**	**$(1,194)**
Operating Expense as Reported by the Postal Service	85,387	89,465	4,078	87,432	2,033
Less: Amortization of CSRS Unfunded Liability	(3,015)	(3,245)	(230)	(3,200)	(45)
Amortization of FERS Unfunded Liability	(2,141)	(2,286)	(145)	(2,300)	14
Non-Cash Change to Workers' Compensation Liability	937	(2,164)	(3,101)	0	(2,164)
Net Operating Expense	**$81,168**	**$81,770**	**$602**	**$81,932**	**$(162)**
Interest Income	941	958	17	944	14
Interest Expense	415	560	145	590	(30)
Net Income (Loss) from Operations	**$(2,259)**	**$(1,825)**	**$434**	**$(837)**	**$(988)**
Amortization of CSRS Unfunded Liability	3,015	3,245	230	3,200	45
Amortization of FERS Unfunded Liability	2,141	2,286	145	2,300	(14)
Non-Cash Change to Workers' Compensation Liability	(937)	2,164	3,101	0	2,164
Total Net Income/(Loss)	**$(6,478)**	**$(9,520)**	**$(3,042)**	**$(6,337)**	**$(3,183)**

Decrease in revenue and expense is denoted by (). Increase in net loss is denoted by ().
Numbers may not add across due to rounding.
Source: Docket No. ACR2024, Library Reference USPS-FY24-5, December 30, 2024 (USPS-FY24-5); Docket No. ACR2023, Library Reference USPS-FY23-5, December 29, 2023 (USPS-FY23-5); United States Postal Service, USPS Preliminary Financial Information (Unaudited), September 2024, November 14, 2024, FY 2024 Plan data from file "2024.11.14+September+2024+Monthly+Financial+Report+to+the+PRC", (Postal Service September 2024 PFI).

The Postal Service's FY 2024 total net loss of $9.5 billion is $3 billion more than the FY 2023 net loss. Net loss occurs when the costs of running a business are not covered by revenue. Sustained net losses can indicate deterioration of the business. The primary reason for the deterioration is an increase in the non-cash change to workers' compensation liability of $3.1 billion and an increase in operating expenses of $0.6 billion.

Operating revenue increased by approximately $1.2 billion compared to FY 2023. Competitive revenue and Market Dominant revenue increased by $0.5 billion and $0.7 billion, respectively.

Net operating expenses increased by $0.6 billion in FY 2024. The increase was largely caused by increases in compensation and other expenses, partially offset by the decline in transportation. The contributing factors include wage increases (which include inflationary impacts on COLAs and increases in FERS and CSRS unfunded expenses), increases in depreciation, information technology, and other miscellaneous expenses[9]

Market Dominant Revenue Compared to Prior Year

The discussion in this section summarizes the overall revenue by class for Market Dominant products. Chapter 3 disaggregates revenue by class and product. Table II-2 compares FY 2024 with FY 2023 revenue by class.

Table II-2
Revenue by Market Dominant Class,[10] FY 2023 and FY 2024 ($ in Millions)

	FY 2023	FY 2024	FY 2024 over FY 2023		FY 2022	FY 2024 over FY 2022	
			$ Change	% Change		$ Change	% Change
First-Class Mail	$24,807	$25,622	$815	3.3%	$24,260	$1,362	5.6%
USPS Marketing Mail	15,140	15,447	307	2.0%	16,052	$(605)	(3.8%)
Periodicals	923	912	(11)	(1.1%)	959	$(47)	(4.9%)
Package Services	894	906	13	1.4%	859	$47	5.5%
Ancillary and Special Services	1,875	1,995	120	6.4%	1,813	$182	10.1%
Subtotal Market Dominant Mail and Services Revenue	**$43,639**	**$44,882**	**$1,243**	**2.8%**	**$43,943**	**$939**	**2.1%**
Other	2,202	1,616	(586)	(26.6%)	1,631	(15)	(0.9%)
Total Market Dominant Mail and Services Revenue	**$45,840**	**$46,498**	**$658**	**1.4%**	**$45,705**	**$793**	**1.7%**

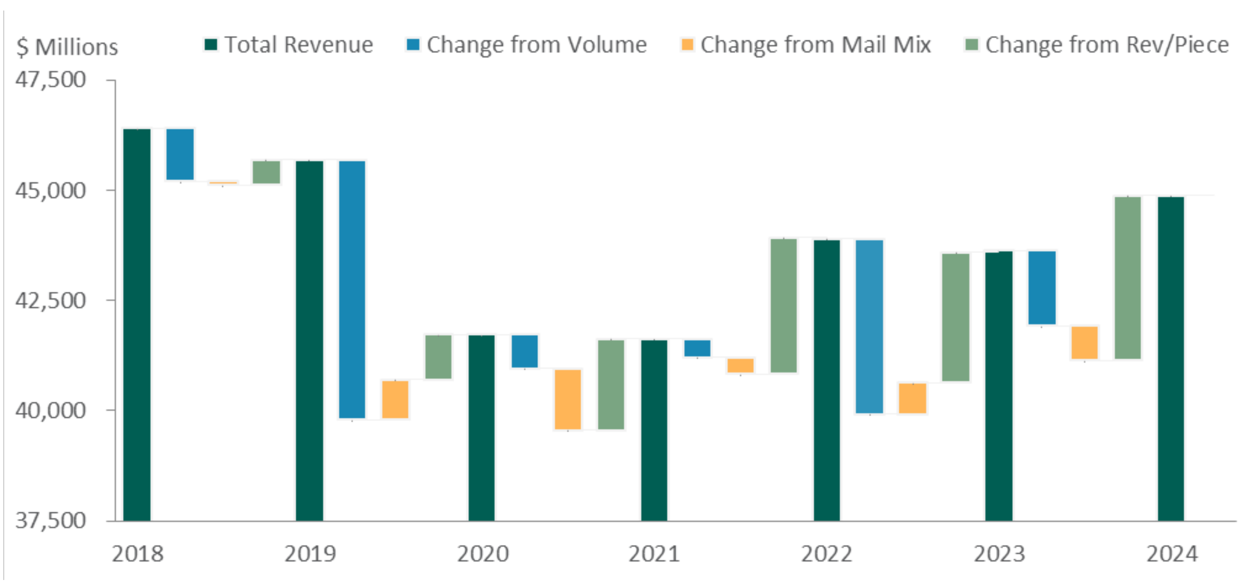
Decrease in revenue is denoted by ().
Numbers may not add across due to rounding.
Source: Docket No. ACR2024, Library Reference PRC-LR-ACR2024-1- FY 2024 Postal Service's Product Finances, March 28, 2025 (PRC-LR-ACR2024-1); Docket No. ACR2023, Library Reference PRC-LR-ACR2023-1- FY 2023 Postal Service's Product Finances, March 28, 2024 (PRC-LR-ACR2023-1); Docket No. ACR2022, Library Reference PRC-LR-ACR2022-1, March 29, 2023 (PRC-LR-ACR2022-1). (Collectively Postal Service's Product Finances, FY 22-24)

[9] Other miscellaneous expenses include maintenance, travel, and contingency accounts.
[10] Other Market Dominant revenue includes appropriations, miscellaneous item revenue, and revenue forgone.

Market Dominant mail and services revenue increased by 2.8 percent from the prior year.[11] As shown in Table II-2, declines in Periodicals (1.1%) were fully offset by increases in First-Class Mail (3.3%), USPS Marketing Mail (2%), Package Services (1.4%), and Special Services (6.4%).

Changes in revenue per piece resulting from rate increases, volume changes, and migration between classes, products, and rate categories (known as mail mix fluctuations) affect total revenue. Figure II-1 isolates the change in Market Dominant revenue due to mail volume changes, mail mix, and average revenue per piece for each year since FY 2018. The overall increase in Market Dominant product revenue was the result of increases in revenue per piece, partially offset by decreases from volume decline and changes in mail mix.

Figure II-1
Change in Market Dominant Revenue Due to Changes in Mail Volume, Mail Mix, and Average Revenue per Piece, FY 2018-FY 2024 ($ in Millions)



Source: PRC derived from Docket No. ACR2018, Library Reference USPS-FY18-42, December 28, 2018; Docket No. ACR2019, Library Reference USPS-FY19-42, December 27, 2019; Docket No. ACR2020, Library Reference USPS-FY20-43, December 29, 2020; Docket No. ACR2021, Library Reference USPS-FY21-43, December 29, 2021; Docket No. ACR2022, Library Reference USPS-FY22-43, December 29, 2022; Docket No. ACR2023, Library Reference USPS-FY23-43, December 29, 2023; Docket No. ACR2024, Library Reference USPS-FY24-43, December 29, 2024 (collectively, Postal Service RPW Report, FY 2018–FY 2024).

[11] Total Market Dominant Mail includes Other Revenue which includes appropriations, mail in transit, and other miscellaneous items.

Competitive Product Revenue Compared to Prior Year

Total revenue from Competitive products increased by $0.5 billion or 1.5 percent compared to FY 2023 resulting from rate increases in January and July of FY 2024.[12] Table II-3 compares revenue for Competitive products between FY 2024 and FY 2023.

Table II-3
Competitive Product Revenue, FY 2023 and FY 2024 ($ in Millions)

	FY 2023	FY 2024	FY 2024 over FY 2023	
			$ Change	% Change
Priority Mail	$10,807	$7,106	$(3,701)	(34.2%)
Total Ground[a]	13,322	23,549	10,227	76.8%
First-Class Package Service	5,845	-	(5,845)	(100.0%)
Priority Mail Express	714	642	(72)	(10.1%)
International	1,331	1,217	(114)	(8.6%)
Ancillary and Special Services	1,330	1,324	(7)	(0.5%)
Subtotal Competitive Products Mail and Services Revenue	**$33,350**	**$33,838**	**$488**	**1.5%**
Other Revenue	181	169	(12)	(6.5%)
Total Competitive Products Mail and Services Revenue	**$33,530**	**$34,007**	**$476**	**1.4%**

Decrease in revenue denoted by ().
Numbers may not add across due to rounding.
[a]Total Ground consists of Parcel Select, Parcel Return and USPS Ground Advantage.
Source: Postal Service's Product Finances, FY 23-24.

Expense Analysis as Compared to Prior Year

As noted earlier, for the purpose of analyzing the Postal Service's financial position, the Commission differentiates between operating and total expenses. As shown in Table II-4, in FY 2024, total expenses increased by $4.1 billion (4.8 percent), while operating expenses increased by approximately $0.6 billion (0.7 percent). The increase in operating expenses was the result of increases in salaries and benefits, depreciation, information technology, and other expenses.

[12] Postal Service FY 2024 Form 10-K at 22.

Table II-4
Total Expenses, FY 2023 and FY 2024 ($ in Millions)

	FY 2023	FY 2024	$ Change	% Change	% of Total Expenses FY 2023	% of Total Expenses FY 2024
Compensation & Benefits Expenses:						
Salaries and Benefits	$57,604	$58,852	$1,248	2.2%	67.5%	65.8%
Workers' Compensation - Cash Outlays	1,475	1,635	160	10.8%	1.7%	1.8%
Other Personnel Related	94	121	27	28.7%	0.1%	0.1%
Subtotal Personnel Expenses Excluding Systemwide Personnel Expenses	**$59,173**	**$60,608**	**$1,435**	**2.4%**	**69.3%**	**67.7%**
Transportation	10,111	8,815	(1,296)	(12.8%)	11.8%	9.9%
Other Expenses	11,884	12,346	462	3.9%	13.9%	13.8%
Total Operating Expenses	**$81,168**	**$81,769**	**$601**	**0.7%**	**95.1%**	**91.4%**
Systemwide Personnel Expenses:						
Non-Cash Change to Workers' Compensation Liability	(937)	2,165	3,102	NMF	(1.1%)	2.4%
Amortization of FERS Unfunded Liability	2,141	2,286	145	6.8%	2.5%	2.6%
Amortization of CSRS Unfunded Liability	3,015	3,245	230	7.6%	3.5%	3.6%
Total Expenses	**$85,387**	**$89,465**	**$4,078**	**4.8%**	**100.0%**	**100.0%**

Decrease in expenses is denoted by (). NMF denotes not meaningful figures.
Numbers may not add across due to rounding.
Source: September 2024 PFI Report, file " 2024.11.14+September+2024+Monthly+Financial+Report+to+the+PRC", November 14, 2024. September 2023 PFI, file"2023.11.14 September FY2023 Monthly Financial Report to+ the PRC.pdf".

PERSONNEL EXPENSES

LABOR COSTS ACCOUNT FOR 76.4% OF TOTAL EXPENSES.

The majority of Postal Service expenses are personnel related. In FY 2024, operating personnel expenses, which exclude the non-cash adjustment to workers' compensation and amortization costs of unfunded retirement liabilities, made up 67.7 percent of total expenses.[13] Including the non-cash adjustments, labor costs account for 76.4 percent of total expenses.

Table II-5 shows that total personnel operating expenses for FY 2024 increased by $1.4 billion from FY 2023, resulting from increases in salaries, retirement, and employee health benefits. When systemwide personnel expenses were included, total personnel expenses increased by $4.9 billion. The net non-cash increase in the workers' compensation liability[14] and other non-operating retirement expenses all increased from FY 2023.

[13] Subtotal personnel expenses ($60.6 billion) as a percentage of total operating expenses ($89.5 billion).
[14] Workers' compensation expense consists of cash payments, miscellaneous expenses, and the net increase (decrease) in the workers' compensation liability.

Table II-5
Breakdown of Total Personnel Expenses, FY 2023 and FY 2024 ($ in Millions)

	FY 2023	FY 2024	$ Change	% Change
Total Compensation	**$43,110**	**$44,058**	**$948**	**2.2%**
Retirement	8,861	8,969	108	1.2%
Health Benefits-Current Employees	5,362	5,583	221	4.1%
Workers' Compensation - Cash Outlays	1,475	1,635	160	10.8%
Other Compensation	365	363	(2)	(0.5%)
Total Personnel Operating Expenses	**$59,173**	**$60,608**	**$1,435**	**2.4%**
Non-Cash Change to Workers' Compensation Liability	(937)	2,165	3,102	NMF
Amortization of FERS Unfunded Liability	2,141	2,286	145	6.8%
Amortization of CSRS Unfunded Liability	3,015	3,245	230	7.6%
Total Personnel Expenses	**$63,392**	**$68,304**	**$4,912**	**7.7%**

Decrease in expenses is denoted by (). NMF denotes not meaningful figures.
Numbers may not add across due to rounding.
Source: September 2024 PFI Report, file " 2024.11.14+September+2024+Monthly+Financial+Report+to+the+PRC", November 14, 2024. September 2023 PFI, file"2023.11.14 September FY2023 Monthly Financial Report to+ the PRC.pdf".

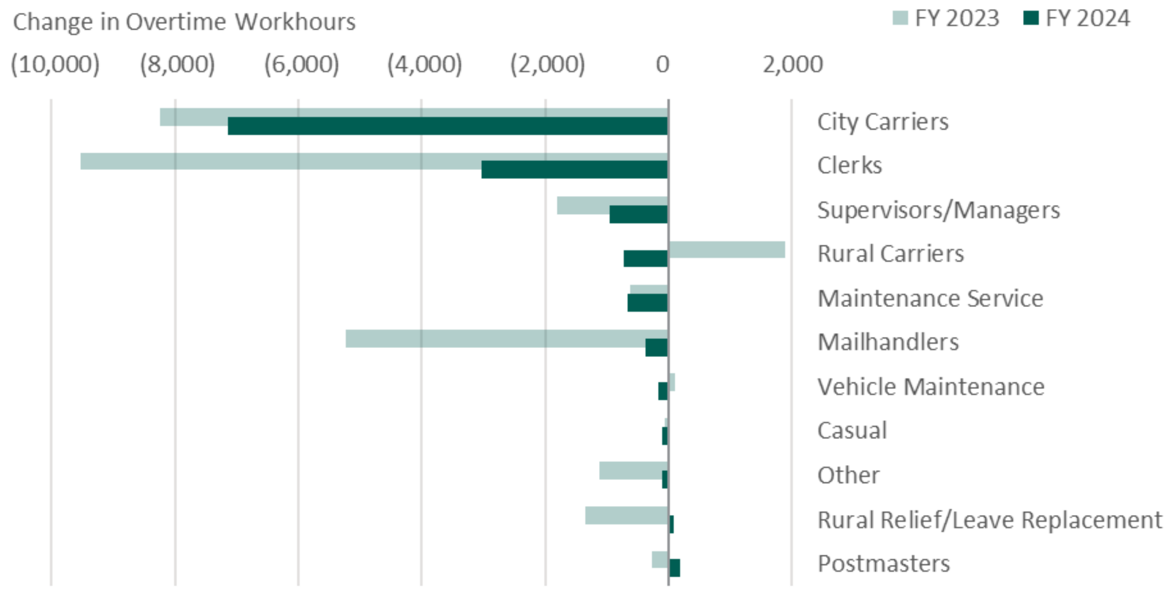
TOTAL COMPENSATION IN FY 2024 INCREASED BY APPROXIMATELY $0.9 BILLION COMPARED TO FY 2023 PRIMARILY DUE TO CONTRACTUAL WAGE INCREASES PARTIALLY OFFSET BY A DECLINE IN WORKHOURS.

Total compensation is comprised of salaries for employees (full-time career, part-time career and non-career), overtime and leave pay, and performance or arbitration awards. There are several cost drivers for compensation, including contractual pay increases, inflation used to calculate semi-annual COLAs,[15] the number of overtime workhours, and the composition of the workforce. The total compensation in FY 2024 increased by approximately $0.9 billion compared to FY 2023 primarily due to contractual wage increases partially offset by a decline in workhours. Collective bargaining agreements include provisions for mandatory COLAs linked to the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). Since FY 2021 COLA increases have exceeded the historical trends of the past decade, as has overall inflation in the economy, adding $547 million to salaries in FY 2024. Postal Service FY 2024 Form 10-K at 13. Overtime hours declined by approximately 12 million while straight-time hours increased by 5 million. *Id.* at 27.

Figure II-2 illustrates the change in overtime workhours by craft. Overtime hours decreased for all crafts except for postmasters and rural relief carriers. According to the Postal Service, total overtime workhours decreased by approximately 12 million hours resulting in part from an effort to reduce workhours in line with declining volumes. *Id.*

[15] Semi-annual COLAs protect wages against inflation. These adjustments are typically calculated using CPI and are negotiated into contracts to provide pay increases as prices increase.

Figure II-2
Change in Overtime Workhours, FY 2023 and FY 2024[16]



Source: PRC derived from United States Postal Service, National Payroll Hours Summary Report, Pay Period 20, 2024, September 27, 2024 (2024 National Payroll Hours Summary PP20); United States Postal Service, National Payroll Hours Summary Report, Pay Period 20, 2023, September 29, 2023 (2023 National Payroll Hours Summary PP20). (Collectively National Payroll Hours Summary PP20 2023-2024).

The Postal Service's workforce is comprised of career (full-time and part-time) and non-career employees, including Postal Support Employees (PSE), City Carrier Assistants (CCA), Mailhandler Assistants (MHA), and Other Non-Career Employees. Table II-6 shows the number of employees by type for FY 2022-FY 2024.

[16] "Other" includes Postmasters, Professional and Administrative, Vehicle Operators, and Headquarters.

Table II-6
Postal Service Employee Complement, FY 2022–FY 2024

	FY 2023	FY 2024	Change FY 2024 over FY 2023	FY 2022	Change FY 2023 over FY 2022
Career Employees	525,092	533,346	8,254	516,760	8,332
Postal Support Employees (PSE)	22,878	18,258	(4,620)	25,842	(2,964)
City Carrier Assistants (CCA)	33,371	29,926	(3,445)	35,035	(1,664)
Mailhandler Assistants (MHA)	7,237	5,972	(1,265)	8,555	(1,318)
Other Non-Career	51,137	51,795	658	49,177	1,960
Total On-Roll Employees	**639,715**	**639,297**	**(418)**	**635,369**	**4,346**

Decrease in amounts is denoted by ().
Numbers may not add across due to rounding.
Source: United States Postal Service, On-Roll and Paid Employee Statistics, Pay Period 20, 2024, September 27, 2024; United States Postal Service, On-Roll and Paid Employee Statistics, Pay Period 20, 2023, September 29, 2023; United States Postal Service, On-Roll and Paid Employee Statistics, Pay Period 20, 2022, September 29, 2022 (Collectively Postal Service ORPES PP 20 2022-2024)

In FY 2024, the Postal Service's total workforce decreased slightly by approximately 0.4 thousand, increases in career employees (8.3 thousand) were fully offset by declines in non-career workforce employees (8.7 thousand).[17] Postal Service FY 2024 Form 10-K at 26.

In March 2022, the Postal Service reached an agreement with the National Rural Letter Carriers Association (NRLCA),[18] which covered a 3-year period from May 2021 to May 2024.[19] The contract expired on May 20, 2024, and a new agreement remains under continuing negotiations. *Id*. at 68.

In February 2022, the Postal Service reached a final agreement with the American Postal Workers Union, AFL-CIO (APWU), that expired in September 2024. The contract covers over 200,000 Postal employees and includes general wage increases for November 2022 and COLA increases in March and September of each year. The contract will also convert PSEs to career status depending on the size of their respective post offices.[20]

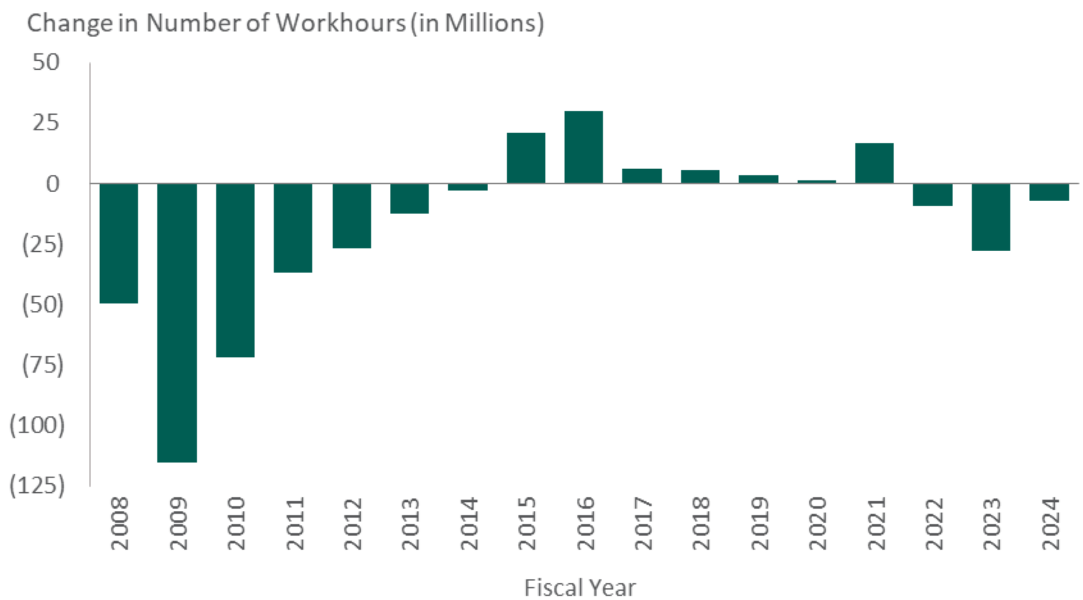
[17] Other non-career positions include casuals, non-bargaining temporary positions, rural carrier substitutes, postmaster relief and postal support employees.
[18] Postal Service FY 2022 Form 10-K at 75.
[19] National Rural Letter Carrier Association, Agreement between the United States Postal Service and the National Rural Letter Carriers' Association 2021-2024 (2022), *Handbook EL-902 - Agreement between the United States Postal Service and the National Rural Letter Carriers' Association (nrlca.org)*
[20] American Postal Workers Union, AFL-CIO,2021-2024 Tentative Collective Bargaining Agreement, February 28, 2022, *https://apwu.org/contracts/2021-2024-apwuusps-collective-bargaining-agreement.*

DURING FY 2024, TOTAL WORKHOURS DECREASED BY APPROXIMATELY 7 MILLION. THIS WAS THE THIRD YEAR IN A ROW THAT WORKHOURS DECREASED

In March 2023, the Postal Service finalized its negotiations with the National Postal Mail Handlers Union, AFL-CIO (NPMHU), on a new collective bargaining agreement. The new contract will expire in September 2025 and includes six COLAs payments during the term of the agreement and general wage increases of 1.3 percent.[21]

During FY 2024, total workhours decreased by approximately 7 million. This was the third year in a row that workhours decreased.[22] Figure II-3 illustrates the change in total workhours since FY 2008.

Figure II-3
Change in Total Workhours, FY 2008–FY 2024



Source: Postal Service FY 2024 Form 10-K; United States Postal Service, Form 10-K FY 2023, November 14, 2023 ; United States Postal Service, Form 10-K FY 2022, November 10, 2022; United States Postal Service, Form 10-K FY 2021, November 10, 2021; United States Postal Service, Form 10-K FY 2020, November 13, 2020; United States Postal Service, Form 10-K FY 2019, November 14, 2019; United States Postal Service, Form 10-K FY 2018, November 16, 2018; United States Postal Service, Form 10-K FY 2017, November 14, 2017; United States Postal Service, Form 10-K FY 2016, November 28, 2016; United States Postal Service, Form 10-K FY 2015, November 13, 2015; United States Postal Service, Form 10-K FY 2014, December 5, 2014; United States Postal Service, Form 10-K FY 2013, November 15, 2013; United States Postal Service, Form 10-K FY 2012, November 15, 2012; United States Postal Service, Form 10-K FY 2011, September 30, 2011; United States Postal Service, Form 10-K FY 2010, September 30, 2010; United States Postal Service, Form 10-K FY 2009, September 30, 2009; United States Postal Service, Form 10-K FY 2008, September 30, 2008; (Collectively Postal Service Form 10-K, FY 2008–FY 2024)

[21] National Postal Mail Handlers Union, 2022-2025 NPMHU National Agreement, March 13, 2023, https://m.npmhu.org/media/news/body/2022-2025-NPMHU-National-Agreement-2.pdf.

[22] Postal Service FY 2024 Form 10-K at 27.

An analysis of workhours by function shows that in FY 2024, workhours decreased in Mail Processing (3.4 percent), Customer Service (2.2 percent), and Rural Delivery (0.1 percent). Workhours increased in Plant & Equipment (2.4 percent), Vehicle Maintenance (3.4 percent), and Other (0.7 percent).[23] Workhours remained unchanged for City Delivery.

Table II-7
Workhours by Function (Thousands of Workhours), FY 2022–FY 2024

	FY 2023	FY 2024	FY 2024 over FY 2023	FY 2022	FY 2023 over FY 2022
			% Change		% Change
Mail Processing	196,001	189,343	(3.4%)	214,455	(8.6%)
Customer Service	149,879	146,647	(2.2%)	155,901	(3.9%)
Delivery Service:					
City Delivery	417,608	417,647	0.0%	422,204	(1.1%)
Rural Delivery	222,446	222,297	(0.1%)	224,076	(0.7%)
Maintenance:					
Plant & Equipment	58,677	60,084	2.4%	57,760	1.6%
Vehicle	32,071	33,150	3.4%	31,384	2.2%
Other	76,954	77,477	0.7%	75,561	1.8%
Total Workhours	**1,153,636**	**1,146,644**	**(0.6%)**	**1,181,342**	**(2.3%)**

Decrease in amounts is denoted by ().
Numbers may not add across due to rounding.
Source: Docket No. ACR2024, Library Reference USPS-FY24-7, December 29, 2024 (USPS-FY24-7); Docket No. ACR2023, Library Reference USPS-FY23-7, December 29, 2023 (USPS-FY23-7); Docket No. ACR2022, Library Reference USPS-FY22-7, December 29, 2022 (USPS-FY22-7).

The Postal Service defines productive hourly wage rates as the labor costs per work hour by cost segment/craft.[24] This metric reflects the effect of wage levels, the composition of workers, overtime, pay premiums, and leave usage on hourly labor costs. Table II-8 shows the productive hourly wage rates.[25] The productive hourly wage rate for all categories except City Delivery Carriers and City and Rural Carriers increased compared to the prior year.

[23] The "Other" category represents Operations Support, Finance, Human Resources, Administration, Training, and Rehabilitation workhours.
[24] Docket No. ACR2024, Library Reference USPS-FY24-17, December 29, 2024, PDF file "USPS-FY24-17.pdf," at 1 (USPS-FY24-17).
[25] The productive hourly wage rate is a measure of total compensation and benefits costs per hour worked. Compensation includes overtime, annual, sick, or holiday pay and any other hourly pay premiums.

Table II-8
Productive Hourly Wage Rates ($ per Workhour), FY 2022–FY 2024

	FY 2023	FY 2024	FY 2024 over FY 2023 % Change	FY 2022	FY 2023 over FY 2022 % Change
Supervisors & Technicians	$61.30	$64.27	4.8%	$56.45	8.6%
Clerks	48.20	49.89	3.5%	44.20	9.0%
Mailhandlers	44.17	45.42	2.8%	41.63	6.1%
City Delivery Carriers	48.37	47.74	(1.3%)	46.64	3.7%
Vehicle Drivers	55.27	56.64	2.5%	51.20	8.0%
Rural Carriers	43.90	44.43	1.2%	39.67	10.7%
Building Services	52.21	53.40	2.3%	49.67	5.1%
Operating Equipment	65.62	66.35	1.1%	61.50	6.7%
Building Equipment	59.40	61.48	3.5%	56.81	4.5%
Motor Vehicle Service	60.75	62.34	2.6%	57.30	6.0%
City and Rural Carriers	46.74	46.54	(0.4%)	42.97	8.8%
Headquarters	78.93	83.88	6.3%	72.77	8.5%

Decrease in amounts is denoted by ().
Numbers may not add across due to rounding.
Source: USPS-FY24-7; USPS-FY23-7; USPS-FY22-7.

Workers' compensation expenses increased by $3.3 billion in FY 2024. Workers' compensation expenses consist of a cash payment and a non-cash change in long-term workers' compensation liability. The cash payment is paid to the U.S. Department of Labor for the current year's cost of medical and compensation benefits and an administrative fee. The non-cash change in long-term workers' compensation expenses includes actuarial revaluations of existing cases and new cases, initial costs of new cases for the year, and any changes in the discount rate used to estimate the amount of current funds needed to settle all claims in the current year. These factors cause the non-cash portion of workers' compensation to fluctuate year to year. In FY 2024, the non-cash component of long-term workers' compensation expenses increased by $3.1 billion compared to the prior year. Table II-9 disaggregates components factoring into the workers' compensation expense for the past 2 years.

Table II-9
Components of Workers' Compensation Expense, FY 2023 and FY 2024 ($ in Millions)

	FY 2023	FY 2024	$ Change	% Change
Medical and Compensation Claims Payments	$1,381	$1,538	$157	11.4%
Administrative Fee	94	97	3	3.2%
Cash Outlays	**$1,475**	**$1,635**	**$160**	**10.8%**
(Decrease) Increase in Long Term Workers' Compensation Obligation	(937)	2,164	3,101	NMF
Workers' Compensation Expense	**$538**	**$3,799**	**$3,261**	**NMF**

Decrease in expenses is denoted by (). NMF denotes not meaningful figures.
Numbers may not add across due to rounding.
Source: PRC derived from Postal Service FY 2024 Form 10-K at 37, 73.

NON-PERSONNEL EXPENSES

Transportation is the largest non-personnel expense. It accounts for 9.9 percent of total expenses. Table II-10 shows transportation expenses by category.

AIR TRANSPORTATION EXPENSES DECREASED BY 20.8% COMPARED TO LAST YEAR RESULTING FROM A SHIFT IN PACKAGE VOLUME FROM AIR TO HIGHWAY TRANSPORTATION

Table II-10
Transportation Expenses by Category, FY 2023 and FY 2024 ($ in Millions)

	FY 2023	FY 2024	$ Change	% Change
Highway Transportation	$6,555	$6,020	$(535)	(8.2%)
Air Transportation	3,073	2,433	(640)	(20.8%)
International Transportation	443	324	(119)	(26.9%)
Other Transportation	40	38	(2)	(5.0%)
Total Transportation	**$10,111**	**$8,815**	**$(1,296)**	**(12.8%)**

Decrease in expenses is denoted by ().
Numbers may not add across due to rounding.
Source: PRC derived from Postal Service FY 2024 Form 10-K at 37-38.

Total transportation expenses decreased for a second consecutive year, by 12.8 percent from FY 2023. Highway transportation decreased by 8.2 percent compared to last year, Postal Service FY 2024 Form 10-K at 38. Air transportation expenses decreased by 20.8 percent compared to last year resulting from a shift in package volume from air to highway transportation. *Id*.

Table II-11 shows all other non-personnel-related expenses increased by $0.5 billion in FY 2024 resulting from increases in supplies and services, depreciation, rents and utilities, other miscellaneous expenses, and higher information technology costs associated with modernizing systems and investments in property, plants, and equipment. *Id*.

Table II-11
Other Non-Personnel Expenses, FY 2023 and FY 2024 ($ in Millions)

	FY 2023	FY 2024	$ Change	% Change
Supplies and Services	$3,365	$3,407	$42	1.2%
Depreciation and Amortization	1,786	1,997	211	11.8%
Rent and Utilities	2,049	2,109	60	2.9%
Vehicle Maintenance Services	846	695	(151)	(17.8%)
Delivery Vehicle Fuel	751	717	(34)	(4.5%)
Information Technology and Communications	1,212	1,363	151	12.5%
Rural Carrier Equipment Maintenance	608	607	(1)	(0.2%)
Miscellaneous Other	1,267	1,451	184	14.5%
Total Other Non-Personnel Expenses	**$11,884**	**$12,346**	**$462**	**3.9%**

Decrease in expenses is denoted by ().
Numbers may not add across due to rounding.
Source: PRC derived from Postal Service FY 2024 Form 10-K at 38.

Comparison of Postal Service Actual Results to Operating Plan

Each year the Postal Service develops an integrated financial plan that includes forecasts of volume, revenue, and expenses for the following year. This section compares the Postal Service's forecasts with actual results. The Postal Service's FY 2024 Operating Plan, as outlined in its 2024 Integrated Financial Plan (IFP), projected a net loss of $6.3 billion in FY 2024.[26] The actual total net loss of $9.5 billion was $3.2 billion more than the Postal Service estimated. Total revenue was $1.2 billion less than planned. Total operating expenses were $0.2 billion less than planned, resulting primarily from lower-than-expected transportation. Table II-12 compares actual FY 2024 results with the estimated results in the Operating Plan.

[26] United States Postal Service, Revised Integrated Financial Plan, Fiscal Year 2024, November 24, 2023, at 1 (Postal Service FY 2024 IFP); USPS Preliminary Financial Information (unaudited), September 2024, November 14, 2024 (September 2024 PFI). Excluding the retiree health benefit prefunding adjustment.

Table II-12
Actual and Operating Plan Income Statements, FY 2024 ($ in Billions)

	FY 2024		$ Change
	Actual	Operating Plan	
Total Revenue	$80.5	$81.7	$(1.2)
Total Operating Expense	82.3	82.5	(0.2)
Net Operating Income/(Loss)	**$(1.8)**	**$(0.8)**	**$(1.0)**
Non-Cash Change to Workers' Compensation	2.2		2.2
FERS Unfunded Liability Amortization	2.3	2.3	(0.0)
CSRS Unfunded Liability Amortization	3.2	3.2	0.0
Total Net Loss (excluding RHB Unfunded Liability)	**$(9.5)**	**$(6.3)**	**$(3.2)**

Decrease in revenue and expense is denoted by (). Increase in net loss is denoted by ().
Numbers may not add across due to rounding.
Source: Postal Service September 2024 PFI, file " 2024.11.14+September+2024+Monthly+Financial+Report+to+the+PRC".

As seen in Table II-13, total mail revenue was $0.4 billion less than anticipated. First-Class Mail, USPS Marketing Mail, and Periodicals were more than projected while Competitive and Other Parcels[27], Other Mail revenue, and International were less than projected.

Table II-13
Actual and Operating Plan Revenue by Categories Shown in IFP,[28] FY 2024 ($ in Billions)[29]

	FY 2024		$ Change
	Actual	Projected	
First-Class Mail	$25.4	$25.0	$0.4
Periodicals	0.9	0.9	0.0
USPS Marketing Mail	15.4	14.6	0.8
Other	4.5	6.0	(1.5)
Competitive and Other Parcels	33.7	33.7	(0.0)
International	1.4	1.5	(0.1)
Total Revenue	**$81.3**	**$81.7**	**$(0.4)**

Decrease in revenue is denoted by ().
Numbers may not add across due to rounding.
Source: Postal Service FY 2024 PFI Report; Postal Service FY 2024 IFP at 2.

[27] Competitive and Other Parcels mail includes Competitive packages and Market Dominant Package Service mail.
[28] The Postal Service FY 2024 IFP isolates volume from International and Parcels from the other categories.
[29] "Other" includes special services and other miscellaneous revenue including Federal Interagency Agreements, Appropriations and Investment Income. The Commission includes other miscellaneous revenue for comparison to the Postal Service's IFP report which includes all sources of revenue in its FY 2024 estimates.

Total volume was more than expected, primarily due to higher-than-expected volume in USPS Marketing Mail and First-Class Mail. Table II-14 compares volumes for FY 2024 with the volume projected in the Operating Plan.

Table II-14
Actual and Operating Plan Volume by Categories Shown in IFP,[30] FY 2024 (in Billions)

	FY 2024		Change
	Actual	Operating Plan	
First-Class Mail	44.3	43.5	0.8
Periodicals	2.7	2.7	0.0
USPS Marketing Mail	57.5	53.2	4.3
Domestic Special Services	0.4	0.3	0.1
Competitive and Other Parcels	7.2	7.2	0.0
International	0.3	0.3	(0.0)
Total Volume	**112.5**	**107.2**	**5.3**

Decrease is denoted by ().
Numbers may not add due to rounding.
Source: Postal Service September 2024 PFI at 2; Postal Service FY 2024 IFP at 3.

TOTAL OPERATING EXPENSES WERE $2.1 BILLION MORE THAN ANTICIPATED AS A RESULT OF HIGHER THAN ANTICIPATED COMPENSATION AND BENEFITS WHICH WERE $0.6 BILLION HIGHER RESULTING FROM INFLATIONARY EFFECTS ON COLAS

Total operating expenses were $2.1 billion more than anticipated as a result of higher than anticipated compensation and benefits which were $0.6 billion higher resulting from inflationary effects on COLAs. Postal Service FY 2024 Form 10-K at 26. Salaries and benefits were expected to increase by $0.9 billion in FY 2024; actual salaries and benefits were $1.4 billion higher despite a decline in workhours of approximately 7 million.

The increase in salaries and benefits costs was the result of inflationary impacts linked to CPI-W. Actual and projected COLAs increases, beginning in FY 2021, have been larger than the historical increases over the past decade due to high economy-wide inflation during the same period. COLA based adjustments increased compensation expense by $0.5 billion in FY 2024. *Id.* at 13.

[30] The Postal Service FY 2023 IFP isolates revenue and volume from International and Parcels from the other categories. *See* Postal Service FY 2023 IFP at 3.

Excluding the non-cash workers' compensation adjustment,[31] non-operating expenses were $0.1 billion less than expected resulting from a decrease in CSRS unfunded amortization.

Total non-personnel expenses were $0.7 billion less than projected from the result of lower than anticipated transportation and other expenses.

Table II-15
Actual and Operating Plan Expenses, FY 2024 ($ in Billions)

	FY 2024		$ Change
	Actual	Operating Plan	
Compensation & Benefits	$60.6	$60.1	$0.6
Transportation	8.8	9.6	(0.8)
Supplies & Services	3.4	3.4	0.0
Depreciation and Amortization	2.0	2.0	(0.0)
Rent/Utilities/Other	6.9	6.8	0.1
Total Operating Expenses	**$81.8**	**$81.9**	**$(0.1)**
Workers' Compensation Adj.	2.3	0.0	2.3
FERS Unfunded Amortization	3.2	2.3	0.9
CSRS Unfunded Amortization	2.2	3.2	(1.0)
Total Expenses	**$89.5**	**$87.4**	**$2.1**

Decrease in amounts is denoted by ().
Numbers may not add across due to rounding
Source: Postal Service September 2024 PFI Report at 3; Postal Service FY 2024 IFP at 1.

Financial Ratio Analysis

Financial ratios assist in interpreting accounting information. The Commission calculated key financial ratios to facilitate its analysis of the Postal Service's financial performance between FY 2006 and FY 2024. These ratios provide a concise and systematic way to organize financial data into meaningful information. The historic accounting information used in ratio analysis is not adjusted for inflation in order to maintain consistency with Generally Accepted Accounting Principles (GAAP) and comparability over time and also because some postal expenses, such as labor, retirement, and workers' compensation, are impacted by cost indexes other than inflation.

[31] The Postal Service excludes the non-cash adjustment to workers' compensation from plan because it is dependent on actuarial assumptions, interest rates, and other factors outside of Postal Service management's control. *See* Postal Service FY 2024 IFP at 1.

OPERATING RATIO

The operating ratio measures how well an organization can control operating expenses while generating revenue. The Commission measures this by comparing the Postal Service's total operating expenses to its total operating revenue. An operating ratio greater than 1.0 indicates a net operating loss, and a ratio less than 1.0 indicates a net operating profit.[32] In the period reflected in Figure II-4, the Postal Service had a net operating profit in FY 2006 through FY 2008 and FY 2014 through FY 2016. An operating ratio below 1 indicates an operating profit and an improvement in the Postal Service's ability to reduce its operating expenses while generating revenue. In FY 2020, operating revenue and operating expenses were the highest in more than a decade. In FY 2021 and FY 2022, the operating ratio declined as operating revenue grew at a higher rate than operating expenses. In FY 2023 the operating ratio increased to 1.04 as revenue declined and operating expenses increased. In FY 2024 the operating ratio decreased as revenue increased by 1.5 percent while operating expenses increased by 0.7 percent.

Figure II-4
Operating Ratio Trend FY 2006–FY 2024

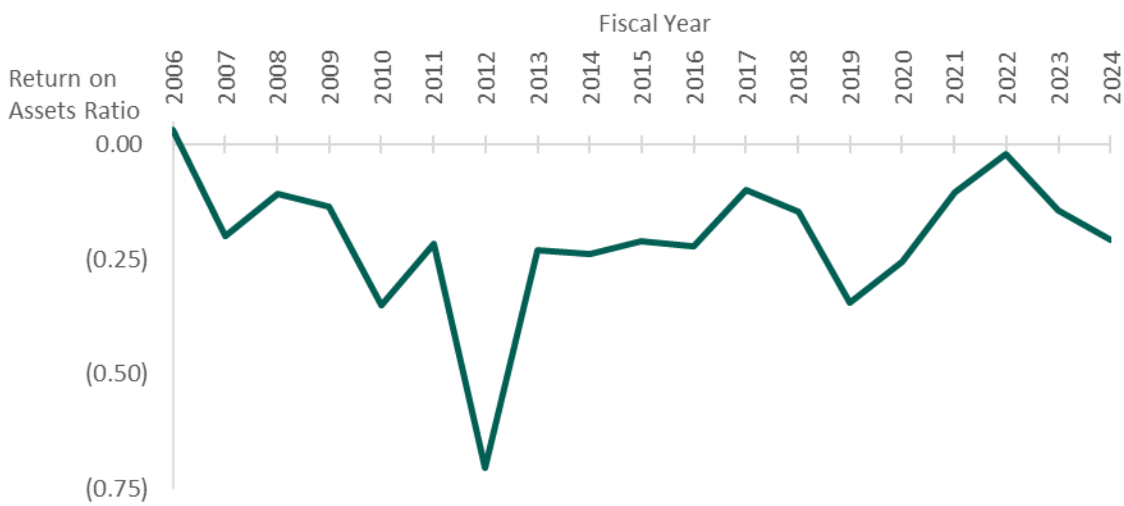
Source: PRC derived from Postal Service Form 10-K, FY 2007–FY 2024; United States Postal Service, FY 2006 *United States Postal Service Annual Report,* September 30,2006 (Postal Service FY 2006 Annual Report).

[32] The Commission calculates the operating ratio by dividing total operating expenses by total operating revenue.

RETURN ON ASSETS

The return on assets ratio is a measure of how efficiently an organization uses its assets to generate profits. It compares total assets to net income (loss) for each year. A negative return on assets indicates net losses and/or low capital investment. Figure II-5 shows the Postal Service's return on assets since FY 2006.

Figure II-5
Return on Assets Trend FY 2006–FY 2024



Source: PRC derived from Postal Service FY 2006 Annual Report; Postal Service Form 10-K, FY 2007–FY 2024.

The Postal Service's total assets are cash and cash equivalents; receivables; and property, plant, and equipment. At the end of FY 2024, the Postal Service had a negative return on assets ratio of 0.21, a decline compared to the prior year's ratio of negative 0.14. Increasing capital investments in property, plant and equipment were offset by cash declines. The increase in FY 2024 total net loss was the result of an increase in operating expenses. The total net loss of $9.5 billion for FY 2024 was primarily the result of compensation increases including the non-cash component of workers' compensation, which increased by $3.1 billion compared to the prior year. The increase was driven by a significant increase in discount rates in FY 2024. A decrease of 1 percent in interest rates can increase the workers' compensation liability by $1.7 billion. Postal Service FY 2024 Form 10-K at 45.

FY 2006 was the last year that showed a positive ratio. This was during the Postal Reorganization Act regime when revenue was required to cover costs (break-even). From FY 2007 through FY 2010, the percentage change in year-to-year net losses was greater than the percentage change in year-to-year total assets, resulting in increasingly negative ratios. During this period, the Postal Service began using available debt to invest in capital and fund its operations. From FY 2006 through FY 2011, the Postal Service used $13 billion of its $15 billion allowable debt.[33] The sharp decline in FY 2012 was largely the result of two retiree health benefits prefunding payments totaling $11.1 billion. The improvement in FY 2014 through FY 2016 was primarily the result of revenue generated from the exigent surcharge[34] and improving cash balances resulting from defaults on annual RHB prefunding payments. The improvement in FY 2017 resulted from lower retirement-related health benefit expenses compared to the statutory prefunding of the RHB and a decrease in non-cash workers' compensation expenses from higher discount rates.

Analysis of Balance Sheets

This section analyzes the Postal Service's financial situation and use of resources based on data from Balance Sheets prepared according to GAAP. The analysis compares two points in time, September 30, 2023 (FY 2023) and September 30, 2024 (FY 2024). Table II-16 compares certain categories in the Postal Service's asset and liability structure for FY 2023 with FY 2024.

[33] Postal Service Form 10-K, Balance Sheet, FY 2007–FY 2011.
[34] *See* Docket No. R2013-11, Order Granting Exigent Price Increase, December 24, 2013 (Order No. 1926).

Table II-16
Structure of Assets and Liabilities, FY 2023 and FY 2024 ($ in Millions)

Assets	FY 2023	FY 2024	$ Change	% of Total Assets	
				FY 2023	FY 2024
Cash and Cash Equivalents (includes Restricted Cash)	$9,599	$6,622	$(2,977)	21.2%	14.5%
Short-Term Investments	8,790	$9,513	723	19.4%	20.9%
Restricted Investments	-	$682			
Receivables	1,427	1,387	(40)	3.2%	3.0%
Supplies and Prepayments	281	309	28	0.6%	0.7%
Total Current Assets	**20,097**	**18,513**	**$(1,584)**	**44.4%**	**40.6%**
Noncurrent Assets	25,192	27,054	1,862	55.6%	59.4%
Total Assets	**$45,289**	**$45,567**	**$278**	**100.0%**	**100.0%**

Liabilities	FY 2023	FY 2024	$ Change	% of Total Liabilities	
				FY 2023	FY 2024
Short-Term Debt	1,000	-	(1,000)	1.5%	0.0%
Deferred Revenue-Prepaid Postage	2,367	2,884	517	3.5%	3.7%
Other Current Liabilities	33,179	38,076	4,897	48.5%	48.7%
Total Current Liabilities	**36,546**	**40,960**	**$4,414**	**53.4%**	**52.4%**
Workers' Compensation Costs, Noncurrent	12,538	14,746	2,208	18.3%	18.9%
Long-Term Debt	12,000	15,000	3,000	17.5%	19.2%
Other Noncurrent Liabilities	7,317	7,493	176	10.7%	9.6%
Total Noncurrent Liabilities	**31,855**	**37,239**	**$5,384**	**46.6%**	**47.6%**
Total Liabilities	**$68,401**	**$78,199**	**$9,798**	**100.0%**	**100.0%**

Decrease in amounts is denoted by ().
Numbers may not add across due to rounding.
Source: Postal Service FY 2024 Form 10-K at 49.

At the end of FY 2024, total assets increased by $0.3 billion compared to the prior period. Decreases in available cash were offset by increases in short-term investments and property, plant and equipment.[35] Current assets are the sum of cash and cash equivalents, receivables and supplies, and prepayments, easily converted to cash for financing operations. Noncurrent assets, mainly buildings and equipment (capital assets), are more difficult to convert to cash in the short term.

Liabilities at the end of FY 2024 totaled $78.2 billion, 52.4 percent of which were current liabilities. Current liabilities are obligations that will come due within 1 year, while noncurrent liabilities are long-term financial obligations. The Postal Service is required to make payments for amortization of unfunded CSRS and FERS liabilities. The Postal Service continued to accrue these unpaid retirement expenses, which totaled approximately $27.3 billion at the end of FY 2024. This obligation is 66.6 percent of current liabilities. Long-term

[35] The Postal Service invested excess cash not immediately necessary for operations in the amount of $15.3 billion and restricted cash in the amount of $3.3 billion in Treasury bills of various maturities ranging between four months to one year. Postal Service FY 2024 Form 10-K at 39.

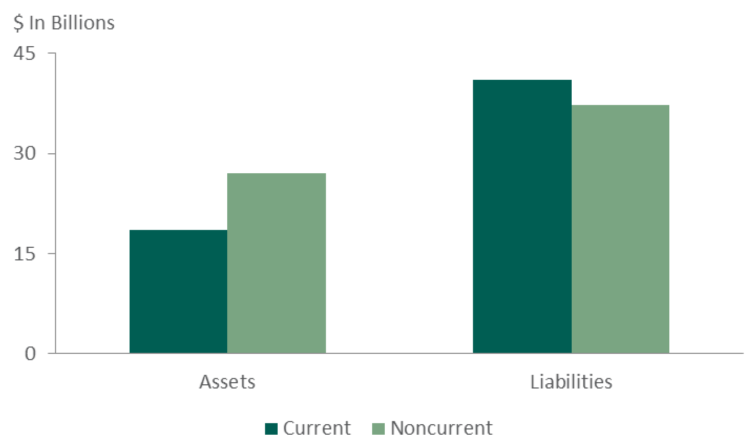
liabilities consist mainly of workers' compensation liability ($14.7 billion) and the total debt owed to the Federal Financing Bank ($15 billion).

On the Balance Sheets, net deficiency represents the difference between total assets and total liabilities. This indicates whether assets were financed by borrowing (liability) or by capital contributions and accumulated earnings from prior years. Net deficiency occurs when liabilities are greater than assets.

At the end of FY 2024, the Postal Service recorded a $32.6 billion net deficit consisting of an accumulated deficit of $48.8 billion offset by capital contributions of $16.1 billion. The accumulated deficit is the result of multiple years of net losses, beginning in FY 2007, offset by FY 2022 net income of $56 billion driven by PSRA adjustments. The $16.1 billion in capital contributions consists of a beginning balance of $13.1 billion[36] and the $3.0 billion in funds the Postal Service received in FY 2022 as part of the Inflation Reduction Act of 2022.

Figure II-6 shows the mix of the Postal Service's asset and liability structure as of September 30, 2024. The shortage of current assets (40.6 percent of total assets) to cover current liabilities (52.3 percent of total liabilities) adversely affects the Postal Service's financial condition. In FY 2024, the Postal Service did not have a sufficient amount of current assets to pay for current liabilities. Non-current assets comprise 59.4 percent of total assets, while non-current liabilities only comprise 47.6 percent of total liabilities.

Figure II-6
Comparison of Postal Service's FY 2024 Current and Noncurrent Assets and Liabilities



Source: PRC derived from Postal Service FY 2024 Form 10-K at 49.

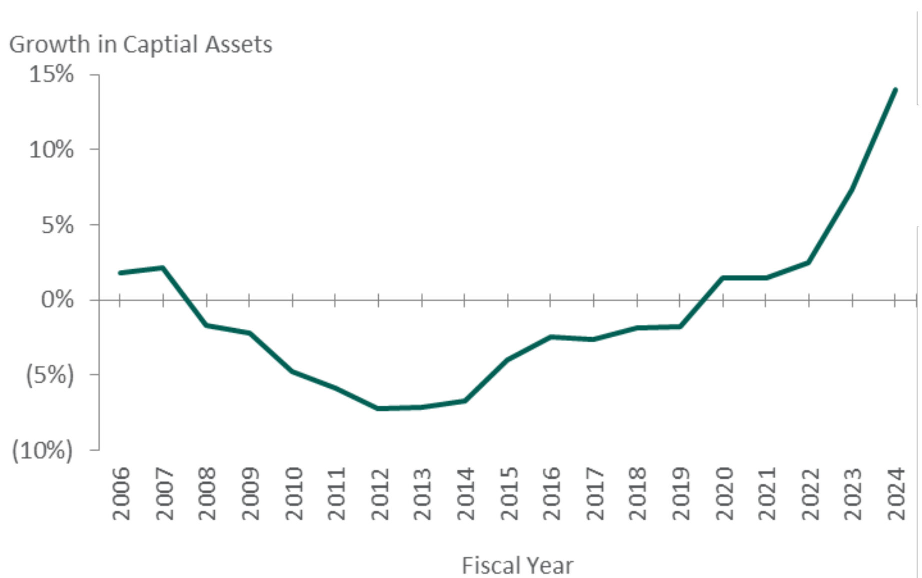
[36] Total capital contributions of the U.S. government were $3.1 billion as of September 30, 2014, consisting of the beginning transfer of assets from the former Post Office Department (POD) ($1.7 billion), cash contributions between 1972 and 1982 ($1.3 billion), and the contribution of approximately 6,500 fuel efficient vehicles during FY 2009 and FY 2010 ($53 million and $49 million), respectively.

Working capital is the difference between current assets and current liabilities. Negative working capital indicates an excess of current liabilities over current assets. In FY 2024, the Postal Service's working capital was negative $22.5 billion.

Assets

Since 2008, Postal Service capital investments have not kept pace with depreciation and amortization. Aging capital assets and the continued restrictions on capital investment resulted in a depreciation expense in excess of investments from FY 2008 to FY 2019; fixed assets declined by $9.2 billion over that period. The Postal Service reduced its capital expenditures from an annual average of approximately $1.5 billion in FY 2009 through FY 2011 to an annual average of approximately $850 million in FY 2012 through FY 2015, a reduction of approximately 43 percent. From FY 2015 through FY 2019, capital expenditures to upgrade facilities, equipment, and the vehicle fleet increased to an annual average of approximately $1.4 billion.

Figure II-7
Percent Change in Capital Assets, FY 2006 - FY 2024



Source: PRC derived from Postal Service Form 10-K, FY 2006–FY 2024.

FY 2024 recorded its highest positive growth in capital assets. The Postal Service recorded a 14 percent growth in capital, compared to the 7.3 percent in FY 2023. The Postal Service purchased $4.2 billion in property and equipment, offset by the total property, plant, and equipment depreciation of approximately $2 billion.

In September 2022, the Postal Service received $3.0 billion under the Inflation Reduction Act of which $1.3 billion is available for the purchase of zero-emission vehicles with the additional $1.7 billion available for the purchase and installation of infrastructure to support those vehicles. *Id*. at 59.

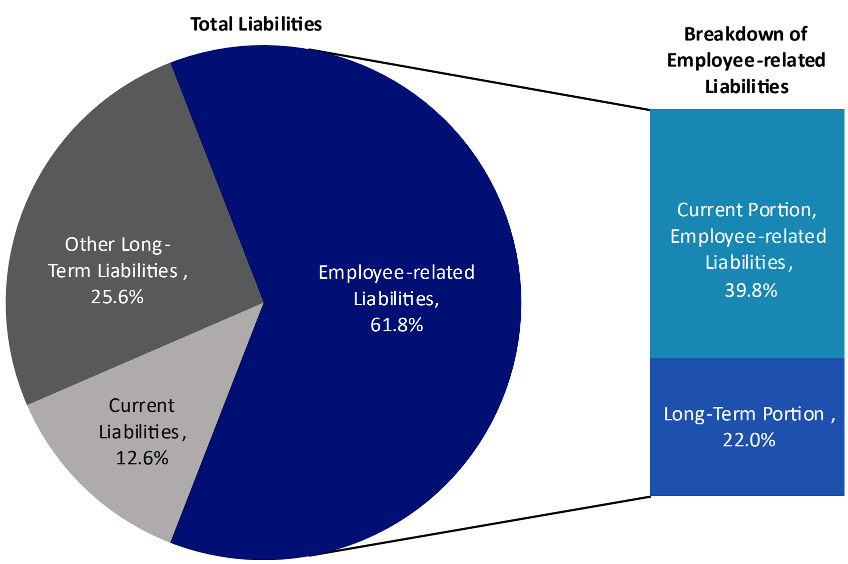
FY 2024 RECORDED ITS HIGHEST POSITIVE GROWTH IN CAPITAL ASSETS. THE POSTAL SERVICE RECORDED A 14 PERCENT GROWTH IN CAPITAL, COMPARED TO THE 7.3% IN FY 2023.

Liabilities

In FY 2024, total liabilities increased by $9.8 billion, resulting from increases in retirement benefit liabilities, workers' compensation, and long-term debt.

The long-term portion of workers' compensation increased by $2.2 billion in FY 2024. This actuarial adjustment is highly sensitive to discount and inflation rates and to new and existing claims. Figure II-8 shows the current breakdown of the Postal Service's liabilities as of September 30, 2024.

Figure II-8
Postal Service Liabilities Structure, September 30, 2023



Source: PRC derived from Postal Service FY 2024 Form 10-K at 49.

In addition to the liabilities recorded on the Postal Service's Balance Sheets, there are other liabilities not recognized in the Postal Service's financial statements. These liabilities are controlled and administered by OPM and relate to the assets and liabilities attributed to the CSRDF. *See* 5 U.S.C. § 8909a. The CSRDF provides pension benefits to retired and disabled Federal employees, including Postal Service employees covered by CSRS and FERS. *Id.* § 8348.

In addition, the PAEA requires the Postal Service to report certain disclosures provided by OPM regarding the funded status of the CSRDF, specifically for postal employees, reported on the Postal Service Form 10-K statements.

Balance Sheet Trend Analysis

To facilitate its analysis, the Commission applies key financial ratios to the Postal Service's Balance Sheet to further assess the current and historical financial stability of the Postal Service. Table II-17 summarizes the key balance sheet ratios used in this analysis.

Table II-17
Postal Service Balance Sheet Ratios FY 2023 and FY 2024

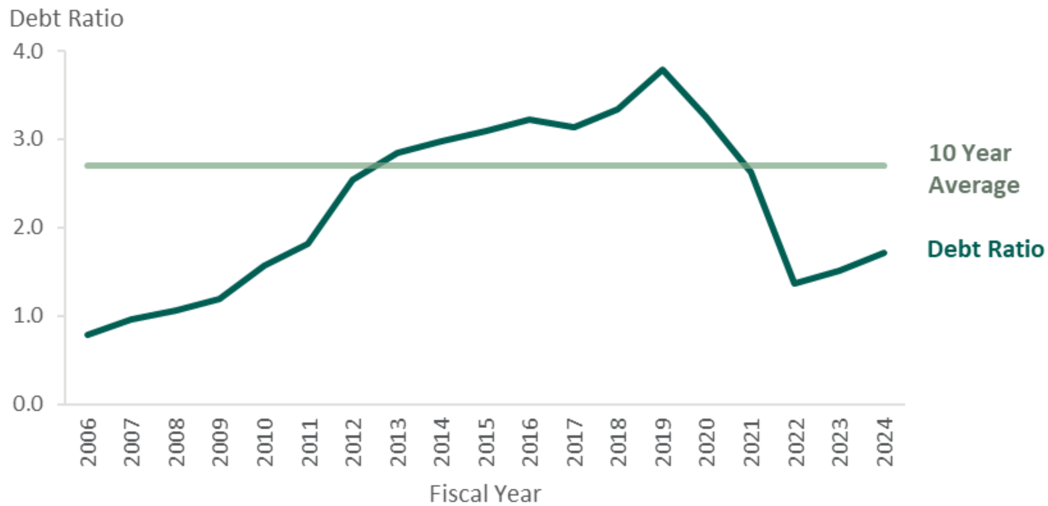
	FY 2023	FY 2024	Change
Debt Ratio	1.51	1.72	0.21
Current Ratio	0.55	0.45	(0.10)
Cash Ratio	0.50	0.39	(0.11)

Source: PRC derived from Postal Service FY 2024 Form 10-K.

DEBT RATIO

Debt ratio is the percentage of total liabilities an entity has on its balance sheet to its total assets. The higher the ratio, the greater the risk that the entity's debt level may impede its ability to respond to challenges and opportunities effectively. Figure II-9 reflects the Postal Service's debt ratio trend since FY 2006.

Figure II-9
Debt Ratio, FY 2006–FY 2024



Source: PRC derived from Postal Service FY 2006 Annual Report; Postal Service Form 10-K, FY 2007–FY 2024.

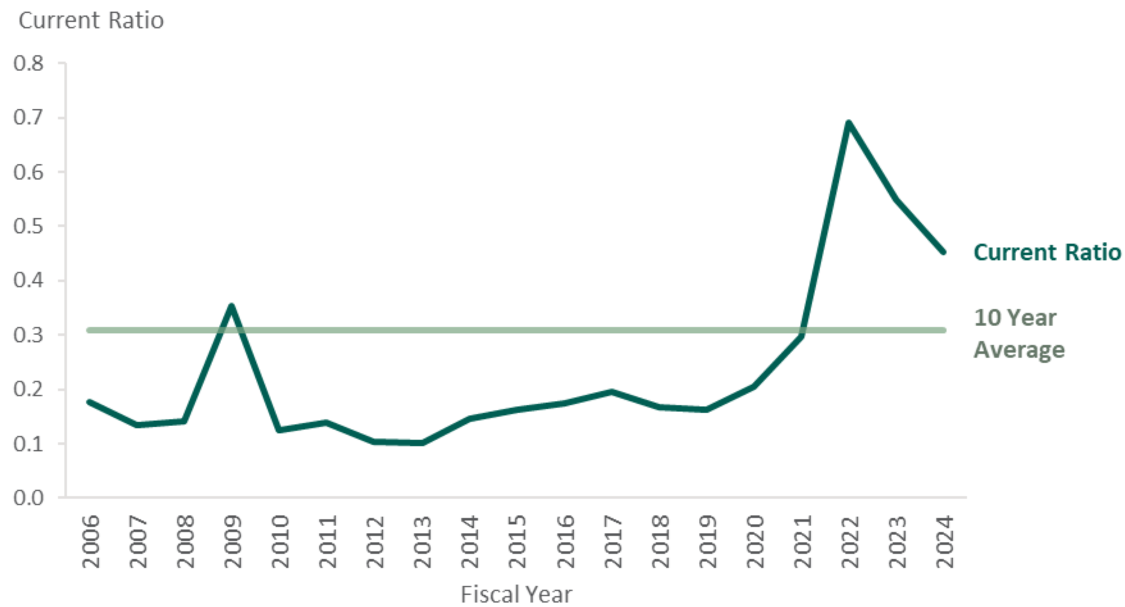
The ratio is generally a conservative measurement because the liabilities are carried at estimated amounts of expected cash outflows. At the same time, some assets may be understated because no adjustments have been made to restate for fair value. For example, land or a fully depreciated building or equipment may have a higher fair market value than its book value. As it pertains to the Postal Service, the debt ratio provides information about the increasing amount of the Postal Service's liabilities relative to its small asset base.

At the end of FY 2024, the debt ratio increased to 1.72 from the 1.51 debt ratio for FY 2023. The increase is primarily the result of a larger increase in total liabilities than total assets. Retirement benefits and total debt owed to the Federal Financing Bank are the primary drivers in increasing liabilities, while investments in property, plants, and equipment were offset by declines in cash. The Postal Service's FY 2024 debt ratio was lower than the average 10-year debt ratio of 2.71. This ratio is indicative of the Postal Service's insufficient resources to pay down its liabilities.

CURRENT RATIO

The current ratio indicates the degree to which current assets meet current liabilities. The higher the current ratio, the more likely an entity can pay its current liabilities because it has a larger proportion of current assets relative to its current liabilities. Figure II-10 highlights the fluctuations in the current ratio since FY 2006.

Figure II-10
Current Ratio, FY 2006–FY 2024



Source: PRC derived from Postal Service Form 10-K, FY 2006–FY 2024.

At the end of FY 2024, the Postal Service had a current ratio of 0.45, a decrease of 0.10 from the end of FY 2023. This is higher than the Postal Service's 10-year average of 0.31.

The decrease in the ratio resulted from an increase in current liabilities compared to a decline in current assets. Current liabilities increased by $4.4 billion (12.1 percent) due to increases in CSRS and FERS unfunded liabilities. Retiree benefits are significantly impacted by wage inflation, health benefit premium increases, retirement, and workers' compensation programs. Postal Service FY 2024 Form 10-K at 15.

The reduction of statutory prefunding payments in FY 2009 resulted in a higher current ratio. A combination of increasing current liabilities and increasing cash has helped keep the current ratio relatively flat. It has increased in the last 3 years resulting from increases in cash in the years FY 2020 and FY 2021 and the reduction in current liabilities in FY 2022.[37]

[37] The reduction in FY 2022 current liabilities was the result of PSRA adjustments to remove the accumulated retiree health benefit liability.

CASH RATIO

The cash ratio compares total liquid assets to its current liabilities. The ratio measures an entity's ability to pay current liabilities with available cash or cash equivalents. Figure II-11 illustrates the cash ratio from FY 2006 through FY 2024.

Figure II-11
Cash Ratio, FY 2006–FY 2024

Source: PRC derived from Postal Service FY 2006 Annual Report; Postal Service Form 10-K, FY 2007–FY 2024.

The Postal Service had a cash ratio of 0.39 at the end of FY 2024. This is a decrease compared to the prior year's cash ratio of 0.50. The FY 2024 cash ratio is also higher than the 10-year average of 0.28. This is the result of a decrease in cash and cash equivalents including short-term investments.[38] In FY 2008 and FY 2009, the Postal Service's cash balances increased by $533 million and $2.7 billion, respectively, which increased the cash ratio. During FY 2011 through FY 2019, the Postal Service's cash balance gradually increased along with its current liabilities. During the years FY 2020 and FY 2021, gradual cash increases helped improve the cash ratio.

[38] The Postal Service invested excess cash in the amount of $9.5 billion in highly liquid short-term investments issued by the U.S. Treasury. Postal Service FY 2024 Form 10-K at 49.

Analysis of Statements of Cash Flows

At the end of FY 2024, the Postal Service's total cash and cash equivalents, excluding $2 billion in restricted cash, were $4.6 billion. Cash and cash equivalents including restricted cash and short-term investments were $2.3 billion lower than at the end of FY 2023. At the end of FY 2024, the Postal Service had reached its $15 billion limit in available borrowing authority. Table II-18 compares the Postal Service's cash flows from FY 2015 to FY 2024.

Table II-18
Postal Service Statements of Cash Flows, FY 2015–FY 2024 ($ in Millions) [39]

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Net Income/(Loss)	$(5,060)	$(5,591)	$(2,742)	$(3,913)	$(8,813)	$(9,176)	$(4,930)	$56,046	$(6,478)	$(9,520)
Non-Cash Items and Other Cash Flows	7,939	8,327	6,565	6,680	11,278	13,545	9,414	(57,020)	4,016	9,588
Cash Flows From Investing Activities:										
Decrease (Increase) in Restricted Cash	13	(20)	(38)	16	(91)	12	(95)	(3,562)	2,432	461
Purchase of Property and Equipment	(1,222)	(1,428)	(1,344)	(1,409)	(1,419)	(1,810)	(1,872)	(1,796)	(3,000)	(4,199)
Proceeds From Sale of Property and Equipment	120	206	58	32	27	32	14	111	287	6
Purchases of Investments									(13,637)	(15,300)
Purchases of restricted investments									(3,145)	(3,275)
Redemption of investments									5,000	14,637
Net Cash Used in Investing Activities	**(1,089)**	**(1,242)**	**(1,324)**	**(1,361)**	**(1,483)**	**(1,766)**	**(1,953)**	**(5,247)**	**(12,063)**	**(7,670)**
Cash Flows From Financing Activities:										
Increase (Decrease) in Debt	0	0	0	(1,800)	1,800	3,000	(3,000)	(1,000)	3,000	2,000
Payments for Capital Leases	(62)	(51)	(63)	(58)	(48)	(40)	(31)	(30)	(27)	(28)
Net Change in Revolving Credit Line	0	0	0	0	(4,000)	0	0	0	0	0
U.S. Government Appropriations - Expensed	0	0	0	0	0	0	0	0	0	0
Contributions of the U.S. Government	0	0	0	0	0	0	10,000	3,000	-	-
Net Cash (Used) Provided by Financing Activities	**(62)**	**(51)**	**(63)**	**(1,858)**	**(2,248)**	**2,960**	**6,969**	**1,970**	**2,973**	**1,972**
Net Increase/(Decrease) in Cash	1,728	1,443	2,436	(452)	(1,266)	5,563	9,500	(4,251)	(11,552)	(3,438)
Cash Balance Beginning of Year	4,906	6,634	8,077	10,513	10,061	8,795	14,358	23,858	19,607	8,055
Cash Balance End of Year	**$6,634**	**$8,077**	**$10,513**	**$10,061**	**$8,795**	**$14,358**	**$23,858**	**$19,607**	**$8,055**	**$4,617**
Debt Outstanding	$15,000	$15,000	$15,000	$13,200	$11,000	$14,000	$11,000	$10,000	$13,000	$15,000

Decrease in amounts is denoted by ().
Numbers may not add across due to rounding.
Source: PRC derived from Postal Service Form 10-K FY 2015–FY 2024.

Table II-19 illustrates the current liquidity position of the Postal Service. The Postal Service's liquidity is limited to cash and cash equivalents (excluding restricted cash) and available borrowing authority. As of September 30, 2024, the Postal Service had reached its statutory debt limit of $15 billion and had no available borrowing authority.

[39] The purchases and redemptions of investments and restricted investments in FY 2024 are investments of excess cash not immediately necessary for operations in Treasury bills of various short-term maturities. Postal Service FY 2024 Form 10-K at 64.

Table II-19
Total Postal Service Liquidity (in $ Millions) End of FY 2023 Compared to FY 2024

	FY 2023	FY 2024
Cash and Cash Equivalents	$8,055	$4,617
Short-term Investments	8,790	9,513
Current Portion of Debt	1,000	-
Long-Term Debt	12,000	15,000
Total Debt	**$13,000**	**$15,000**
Statutory Debt Limit	15,000	15,000
Available Debt	2,000	-
Total Liquidity (Cash + Available Debt)	**$18,845**	**$14,130**

Source: Postal Service FY 2024 Form 10-K at 49.

Cash Flow Ratio Analysis

Cash flow ratios are applied in the Commission's analysis to illustrate the Postal Service's financial solvency. The asset efficiency ratio, cash flow to debt ratio, and long-term debt ratio are all helpful indicators of the Postal Service's current and historical ability to pay down debt and remain financially solvent.

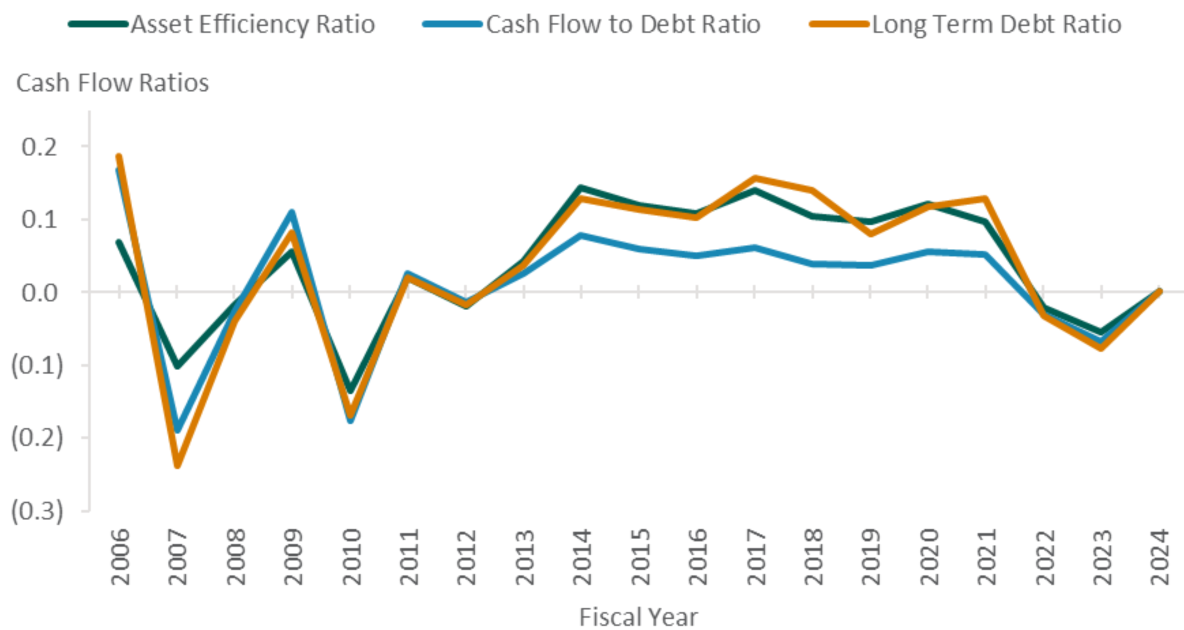
Table II-20
Cash Flow Ratios, FY 2023 and FY 2024

	FY 2023	FY 2024	Change
Asset Efficiency Ratio	(0.05)	0.001	0.06
Cash Flow to Debt Ratio	(0.07)	0.002	0.07
Long Term Debt Ratio	(0.08)	0.002	0.08

Source: PRC derived from Postal Service FY 2024 Form 10-K.

Figure II-12 shows all three ratios and their trends since FY 2006.

Figure II-12
Cash Flow Ratio Trend Analysis FY 2006–FY 2024



Source: PRC derived from Postal Service FY 2006 Annual Report; Postal Service Form 10-K FY 2007–FY 2024.

The asset efficiency ratio compares operating cash flows to total assets. It measures how efficiently an entity uses its assets to generate cash. At the end of FY 2024, the Postal Service had a positive asset efficiency ratio of 0.002, which is 0.06 higher than the prior year. The FY 2024 asset efficiency ratio is lower compared to the historical 10-year average of 0.07; cash flow from operations increased for the first time since FY 2021, while total assets increased slightly. From FY 2006 to FY 2011, the ratio was quite volatile. The ratio gradually ticked up from FY 2012 through FY 2014 as a result of the Postal Service defaulting on RHB liabilities and increases in revenue from the exigent surcharge. From FY 2017 through FY 2019, both cash from operations and total assets declined slightly, resulting in a relatively flat trend. This ratio illustrates the Postal Service's inability to generate sufficient operating cash using its total assets.

The Postal Service had a cash flow to debt ratio of positive 0.002 at the end of FY 2024, which is an increase of 0.07 from the prior year and lower than the historical 10-year average. The cash flow to debt ratio measures an entity's ability to generate cash that can be used to cover current debt. In FY 2024, cash flow from operations increased while current liabilities increased compared to FY 2023. In FY 2007 and FY 2008, the ratio was below zero resulting from negative operating cash flows caused by payments to the RHBF. FY 2012 was the first year the Postal Service defaulted on its RHB payment, which increased cash from operations and increased current liabilities. Since FY 2012, the Postal Service has been unable to pay down its unfunded retirement liabilities, and the cumulative missed payments increase the current liability on the balance sheet. The increase in operating cash from these defaulted payments was not enough to offset revenue loss from declining volume, resulting in a relatively flat increase in operating cash and gradually increasing current liabilities.

The long-term debt ratio compares the Postal Service's cash from operations to its long-term debt. It illustrates the Postal Service's ability to pay down long-term debt using cash it generates from operations. Long-term debt includes non-current workers' compensation expenses and non-current portions of debt owed to the Federal Financing Bank. At the end of FY 2024, the Postal Service had a long-term debt ratio of positive 0.002, an increase of 0.08 from the end of FY 2023.

Chapter III. Volume, Revenue, and Cost Trends

This chapter presents in-depth analyses of volume, revenue, and cost trends in three sections. The first section describes the calculation of attributable cost and institutional cost and examines overall trends for Market Dominant and Competitive products and services. The second and third sections analyze changes in volume, revenue, and cost observed in the most recent Fiscal Year and over the past decade. Section two focuses on Market Dominant products, organized by mail class and section three covers Competitive products.

Overall Volume, Revenue, and Cost

Changes Since Last Year

Table III-1 summarizes changes in volume, revenue, attributable cost, and contribution to institutional cost for Market Dominant and Competitive products since FY 2023.

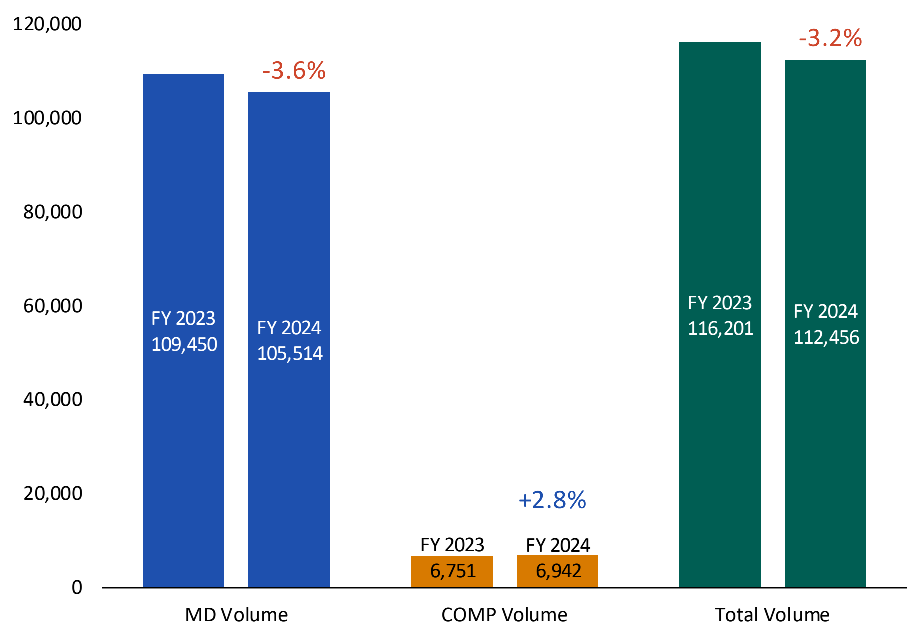
Table III-1
Market Dominant and Competitive Mail Volume, Revenue, and Attributable Cost
FY 2023 – FY 2024

	Market Dominant Mail			Competitive Mail		
	FY 2023	FY 2024	% Change	FY 2023	FY 2024	% Change
Volume (Millions)	109,450	105,514	(3.6%)	6,751	6,942	2.8%
Revenue ($ Millions)	$43,639	$44,882	2.8%	$33,350	$33,838	1.5%
Attributable Cost ($ Millions)	$26,442	$22,620	(14.5%)	$21,183	$23,696	11.9%
Contribution to Institutional Cost ($ Millions)	$17,197	$22,262	29.5%	$12,167	$10,141	(16.6%)

Source: Postal Service's Product Finances, FY 2023-2024.

The Postal Service's total mail volume continued to decline, losing 3.2 percent of its FY 2023 level. As shown in Figure III-1, this decline was primarily driven by a 3.6 percent decrease in Market Dominant volume. In contrast, Competitive volume increased by 2.8 percent due to a notable increase in Ground Parcels. However, because Competitive volume accounts for a relatively small proportion (6.2 percent in FY 2024) of total Postal Service volume, this increase was not sufficient to offset the overall volume decline.

Figure III-1
Mail Volume (Millions), FY 2023 – FY 2024



Source: Postal Service's Product Finances, FY 2023-2024.

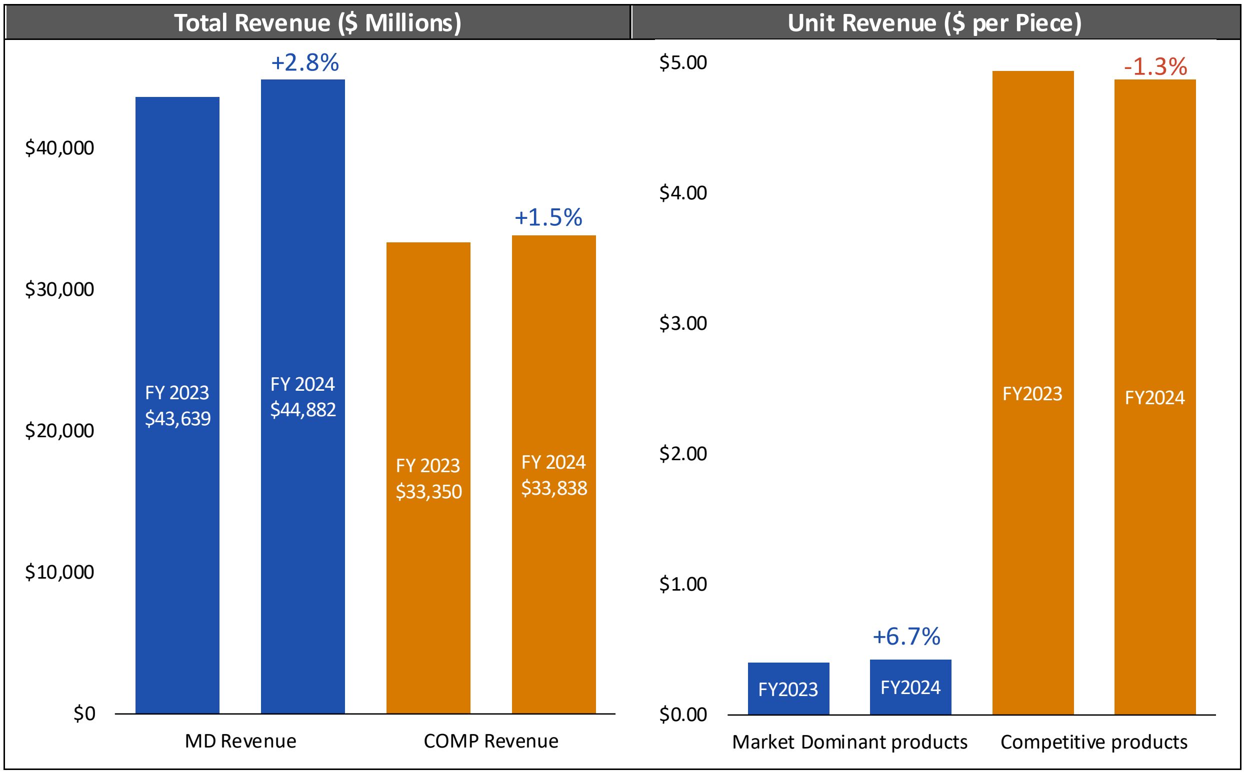
In FY 2024, total revenue increased by 1.5 percent.

Total Market Dominant revenue increased by 2.8 percent, following a 0.7 percent decrease in FY 2023.[40] On a per-unit basis, Market Dominant revenue increased by 6.7 percent. The Postal Service attributes this to decoupling of Market Dominant revenue from volume losses, which followed adoption of pricing authorities that are additional to the inflation-driven price cap, as well as to the "Governors' decisions about how to use those authorities." FY 2024 ACR at 5.

Total Competitive products revenue increased by 1.5 percent in FY 2024. In contrast to Market Dominant mail, the increase in Competitive mail revenue was driven by volume growth, as the average revenue per Competitive mailpiece declined by 1.3 percent in FY 2024.

[40] Docket No. ACR2023, Financial Analysis of the United States Postal Service Financial Results and 10-K Statement Fiscal Year 2023, June 17,2024 (FY 2023 Financial Report) at 42-43.

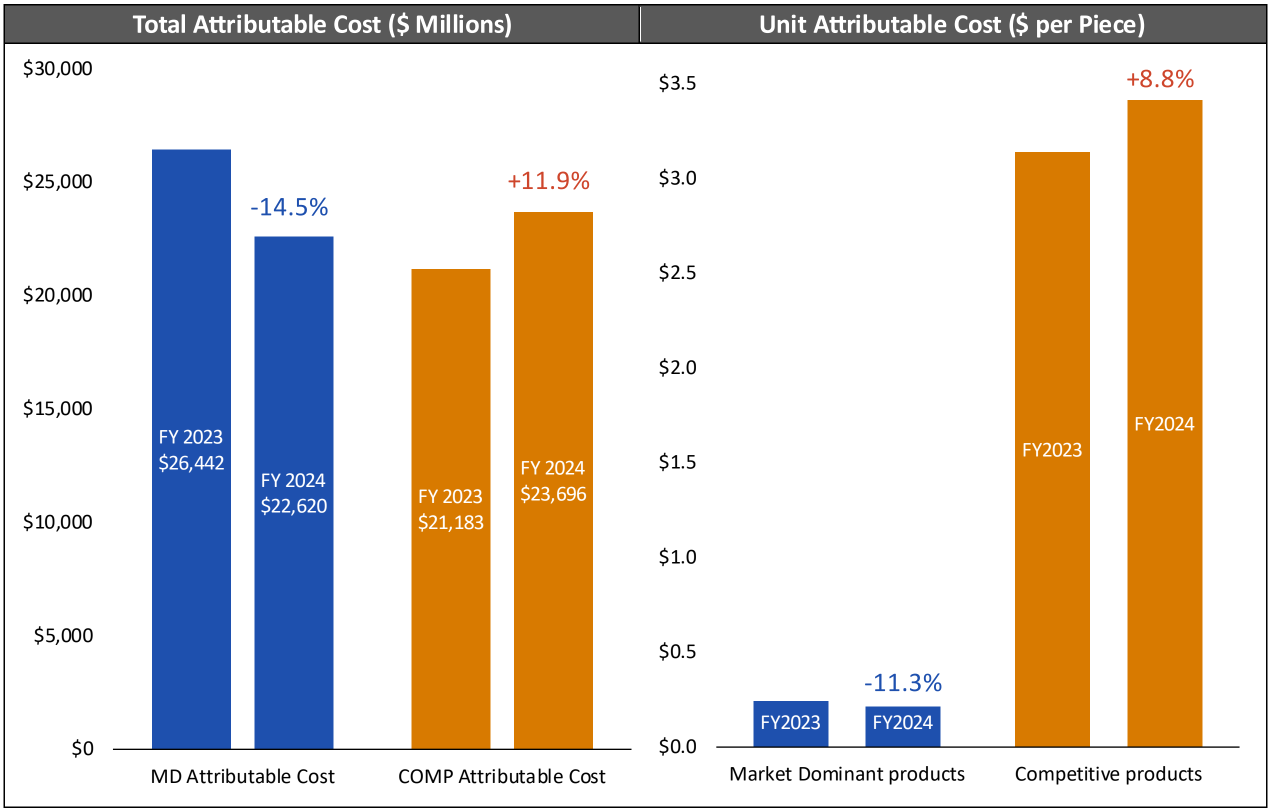
Figure III-2
Mail and Services Revenue, FY 2023 – FY 2024



Source: Postal Service's Product Finances, FY 2023-2024.

While Market Dominant revenue increased in aggregate and on a unit basis, its attributable cost declined by 14.5 percent in total and 11.3 percent per unit. Meanwhile, for Competitive mail, the $488 million increase in overall revenue was more than offset by a $2.5 billion increase in attributable cost. On a unit basis, Competitive products attributable cost increased by 8.8 percent, as depicted in Figure III-3 below.

Figure III-3
Attributable Cost, FY 2023 – FY 2024



Source: Postal Service's Product Finances, FY 2023-2024.

39 U.S.C. § 3622(c)(2) defines attributable cost as the "direct and indirect postal costs attributable to each class or type of mail service through reliably identified causal relationships plus that portion of all other costs of the Postal Service reasonably assignable to such class or type [of mail service.]" In Order No. 3506, the Commission determined that attributable product costs include:

- Volume-variable costs,[41] which in the aggregate increase as volume increases and decrease as volume decreases;
- Product-specific costs, which are costs caused by a specific product but do not vary with volume; and
- Inframarginal costs developed as part of the estimation of each product's incremental costs.[42]

[41] Total volume-variable cost is calculated by multiplying total cost by the volume variability ratio for each cost segment.
[42] Docket No. RM2016-2, Order Concerning United Parcel Service, Inc.'s Proposed Changes to Postal Service Costing Methodologies (UPS Proposals One, Two, and Three), September 9, 2016 (Order No. 3506).

Attributable costs for classes and Competitive products collectively also include group-specific costs, which are costs caused by a group of products in combination rather than by an individual product, and inframarginal costs developed as part of the estimation of incremental costs for classes and Competitive products collectively. Attributable costs are equal to incremental costs, which reflect the total marginal costs of the volume in a class, a product, or Competitive products collectively.[43] Attributable cost is distributed to products using distribution keys that reflect the underlying cost drivers.[44] These costs are piggybacked to include indirect costs of each activity.

Institutional cost cannot be attributed to a specific product or service, a class, or Competitive products collectively, and is equal to total accrued cost minus total attributable cost. While sometimes referred to as "fixed cost," it is more accurately characterized as "common cost" because it includes costs that are variable but not causally related to an individual product, class, or Competitive products collectively. Institutional cost includes costs for carrier network travel time, amortization of CSRS unfunded liability apportioned to prior years, and various administrative costs.

In FY 2024, the Commission approved cost attribution methodologies that shifted costs between mail shapes, and between underlying Market Dominant and Competitive products.

In November, the Commission approved a new methodology to calculate volume-variable rural carrier costs, following the Postal Service's adoption of a new rural route evaluation system, which it uses to determine compensation for rural carriers.[45] This new methodology takes into account relevant mail characteristics such as mail shape,[46] and has been expected to increase the overall variability for rural carrier labor time, as well as increase in parcel-shaped mail variabilities.[47] For letter- and flat-shaped products, variabilities were expected to decrease. *Id*.

In August, the Commission approved a new methodology for calculating city carrier street time variabilities, which relies on a "Top-Down Model."[48] This methodology was expected to "shift away from volume-related costs toward network-related costs," in par with the

[43] Incremental costs are sub-additive, meaning that the sum of the attributable costs of all products in a class is not equal to the attributable cost of the class as a whole. The Postal Service generally exhibits declining marginal costs. As a result, the incremental cost of a class includes additional inframarginal costs that are not included in the incremental cost of the individual products within the class. For this reason, product attributable costs do not add to total attributable cost in Table III-17, Table III-20, Table III-23, and Table III-24.

[44] The Postal Service assigns these costs to each product according to methodologies approved by the Commission. Changes to those methodologies are reviewed by the Commission in informal rulemaking proceedings, and members of the general public are given the opportunity to comment in such proceedings.

[45] *See* Docket No. RM2024-2, Order Approving the Postal Service's Proposed Changes in Response to Order No. 7049 with One Modification, November 7, 2024 (Order No. 7919); *see also* Order Approving Analytical Principles Used in Periodic Reporting (Proposal 8) with Two Modifications, April 18, 2024. (Order No. 7049).

[46] Namely, the methodology takes into account mail shape, presence of a delivery barcode, and delivery location.

[47] Order No. 7049 at 7- 8, 34.

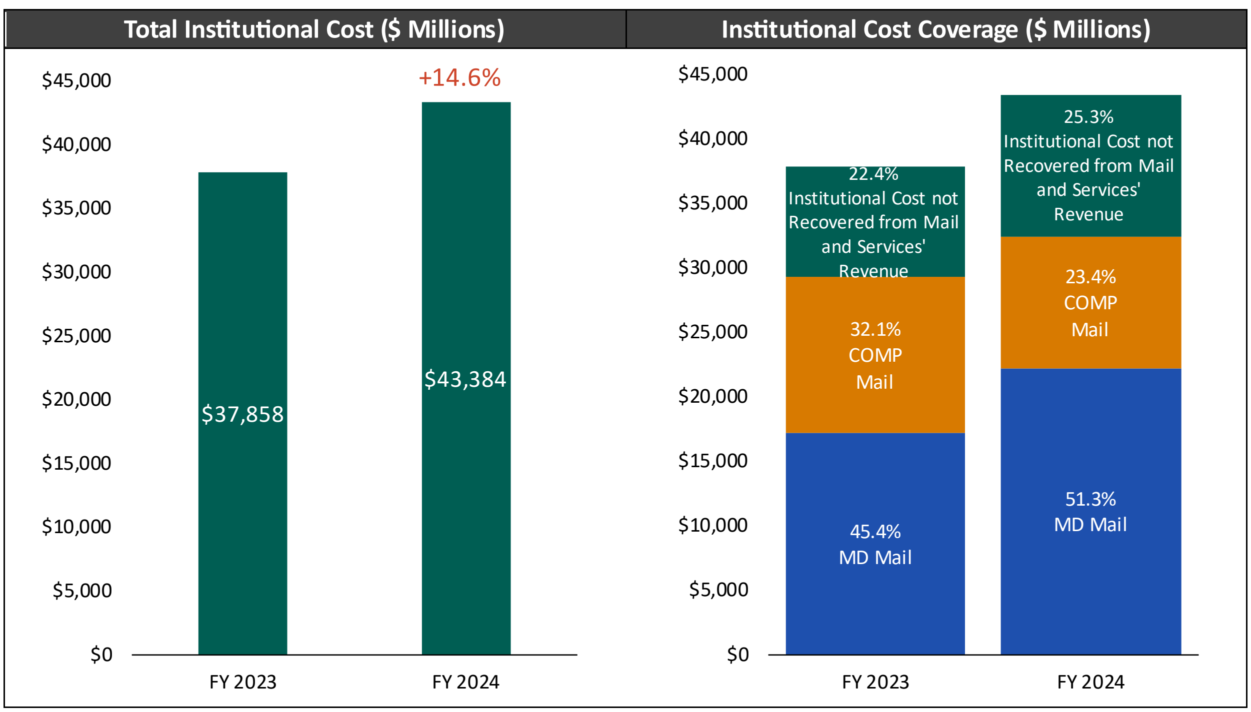
[48] *See* Docket No. RM2022-3, Order Approving Analytical Principles Used in Periodic Reporting (Proposal One), August 26, 2024 (Order No. 7411).

decline in overall mail volume and an increase in the number of delivery points.[49] The variabilities and unit attributable costs of letter- and flat-shaped mail, which predominantly includes Market Dominant products, were expected to decrease. For parcel-shaped products, which include Bound Printed Matter Parcels and Media/Library Mail but are predominantly Competitive products, variabilities and unit attributable costs were expected to increase due to this methodology change.[50]

As shown in Figure III-3 above, the impacts of the two costing methodology changes on unit costs for Market Dominant and Competitive products overall have played out as anticipated.

The impact of the cost and revenue developments discussed above on the Postal Service's financial situation is illustrated in Figure III-4 below. The contribution of Competitive products to institutional costs declined from $12.2 billion in FY 2023 to $10.1 billion in FY 2024, which represents a 16.6 percent decrease. Conversely, Market Dominant products contributed $5.1 billion more than the previous year, representing a 29.5 percent increase. Meanwhile, total institutional cost increased by $5.5 billion, or 14.6 percent.

Figure III-4
Institutional Cost and Contribution from
Market Dominant and Competitive Mail Revenue, FY 2023 – FY 2024



Source: Postal Service's Product Finances, FY 2023-2024.

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[49] Docket No. RM2022-3, On the Estimation of a Top-Down Model for City Carrier Street Time, January 5, 2022 (Bradley Report), at 119.
[50] *See* Order No. 7411 at 23; *see also* Bradley Report at 118-121.

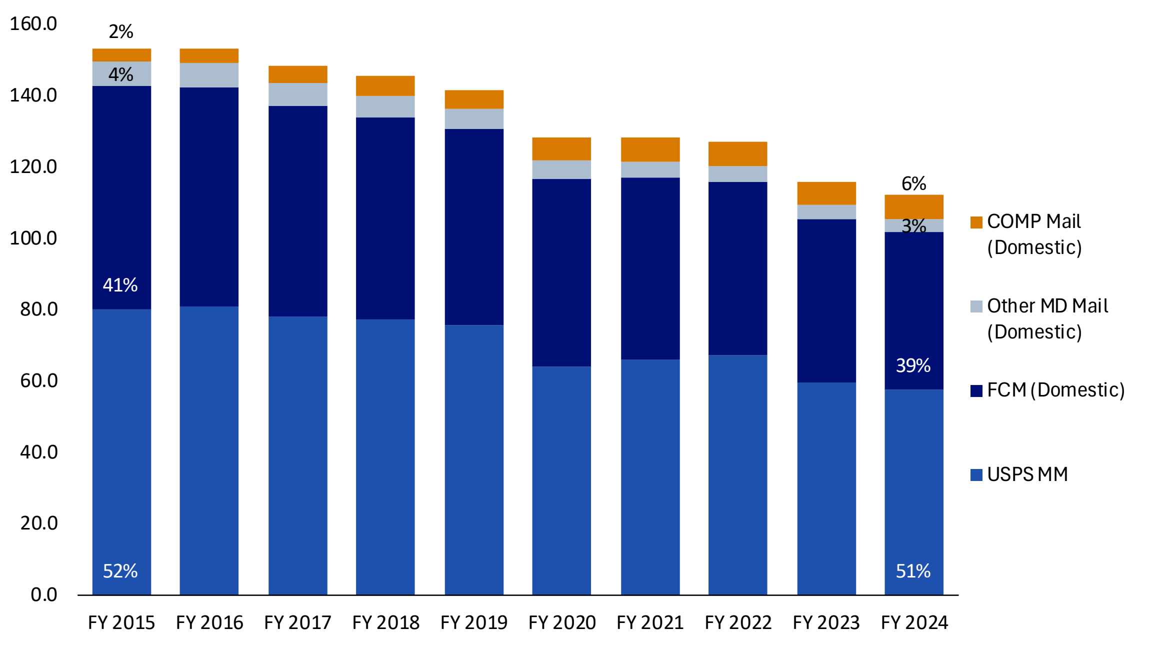
The combined effect of Market Dominant and Competitive products' financial performance was deterioration in the Postal Service's overall financial situation. In FY 2023, 22.4 percent of institutional costs were not covered by Market Dominant and Competitive products and services, equating to $8.5 billion. By FY 2024, this gap had widened to 25.3 percent or $11.0 billion.

Changes in the Last Decade

MAIL VOLUME

The Postal Service interprets the slowing decline in Market Dominant volume (from 9.1 percent in FY 2023 to 3.6 percent in FY 2024) as a "reassuring sign."[51] It attributes the recent "multi-year pattern of shock, recovery, and aftershock" to similar patterns observed following the Great Recession, and the COVID-19 pandemic.[52]

Figure III-5
Market Dominant Volume by Mail Class and Competitive Volume (Billions)
FY 2015 – FY 2024



Source: Docket No. ACR2015, Library Reference PRC-LR-ACR2015-1- FY 2015 Postal Service's Product Finances, March 28, 2016; Docket No. ACR2016, Library Reference PRC-LR-ACR2016-1- FY 2016 Postal Service's Product Finances, March 28, 2017; Docket No. ACR2017, Library Reference PRC-LR-ACR2017-1- FY 2017 Postal Service's Product Finances, March 29, 2018; Docket No. ACR2018, Library Reference PRC-LR-ACR2018-1- FY 2018 Postal Service's Product Finances, April 12, 2019; Docket No. ACR2019, Library Reference PRC-LR-ACR2019-1- FY 2019 Postal Service's Product Finances, March 25, 2020; Docket No. ACR2020, Library Reference PRC-LR-ACR2020-1- FY 2020 Postal Service's Product Finances, March 29, 2021; Docket No. ACR2021, Library Reference PRC-LR-ACR2021-1- FY 2021 Postal Service's Product Finances, March 29, 2022; Postal Service's Product Finances, FY 2022-2024 (Collectively Postal Service's Product Finances, FY 2015-2024).

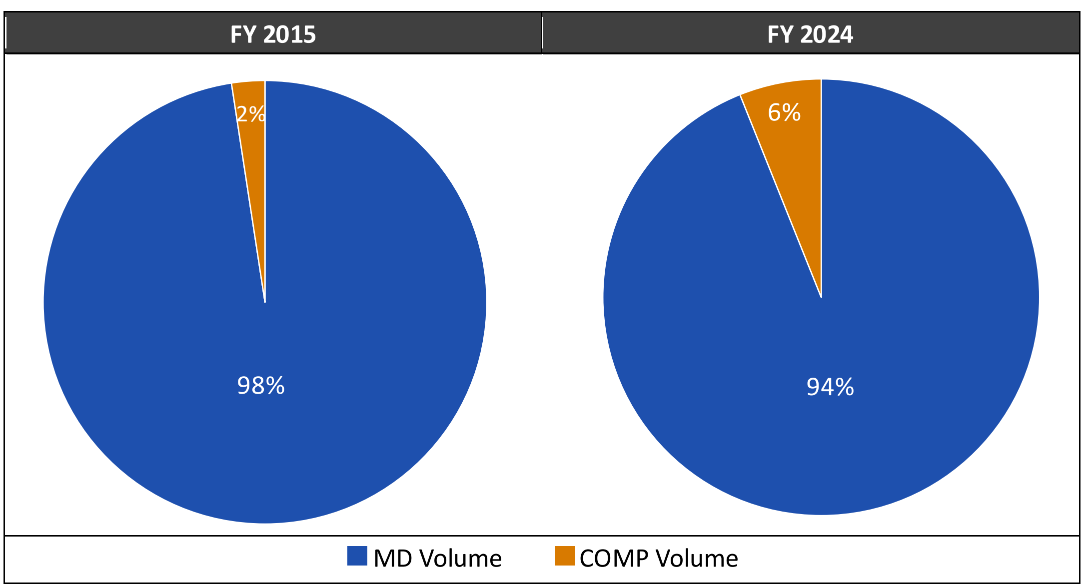
[51] FY 2024 ACR at 6; FY 2023 Financial Report at 42.
[52] FY 2024 ACR at 6-7.

The Postal Service attributes the decline in Market Dominant volume to increasing competition from digital communications.[53] Specifically:

- Domestic First-Class Mail volume decreased by 29.3 percent over the decade (3.8 percent on average annually) due to a shift towards digital communications.[54]
- USPS Marketing Mail trended very similarly, losing 28.2 percent of its FY 2015 volume over the decade (3.6 percent on average annually), with digital advertising and social media identified as "significant forms of competition."[55]
- Periodicals, Package Services, Free Mail, and USPS Mail volumes combined, included in the above chart as "Other MD Mail (Domestic)" category, declined 47.9 percent over the course of the decade, averaging a 7.0 percent annual decline.

Meanwhile, Competitive volume increased 83.7 percent over the decade (7.0 percent on average annually), despite competition from package delivery service providers with national coverage like FedEx Corporation, United Parcel Service (UPS), Inc., or Amazon.com, Inc., as well as from regional and local package delivery providers.[56] These shifts have changed the Postal Service's total volume composition, as illustrated in Figure III-6.

Figure III-6
Domestic Mail Volume Make-Up, FY 2015 and FY 2024



Source: Postal Service's Product Finances, FY 2015 and FY 2024.

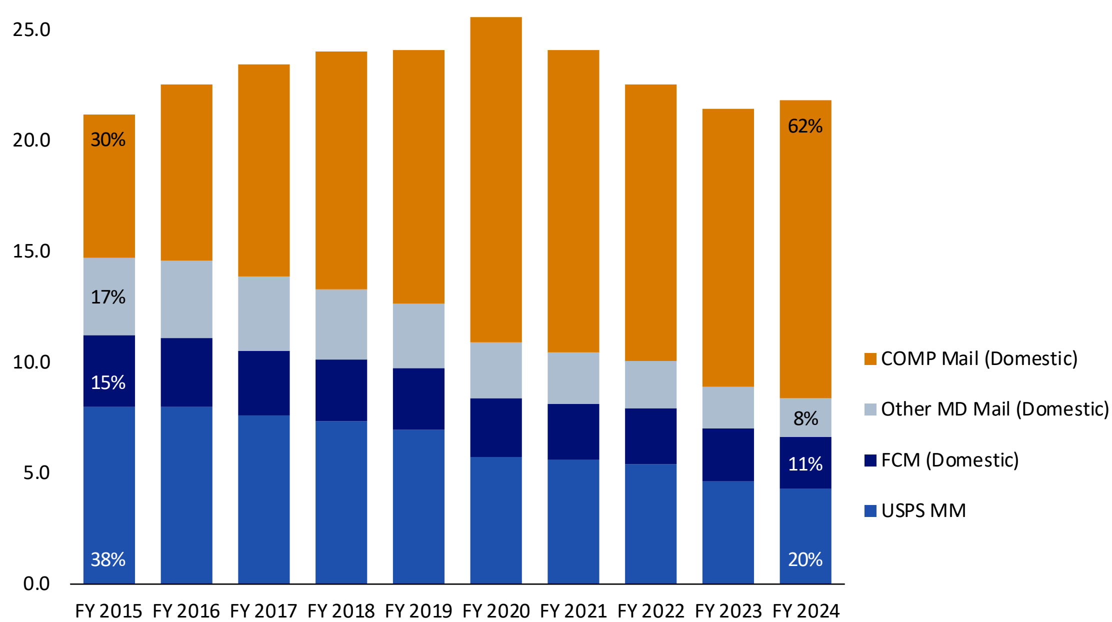
[53] Postal Service FY 2024 Form 10-K at 7.
[54] Postal Service FY 2024 Form 10-K at 7.
[55] *Id.*
[56] *Id.*

Domestic Competitive volume has nearly doubled since FY 2015, increasing from only 2 percent of total Postal Service's domestic volume to 6 percent of total domestic volume, while Market Dominant volume has dropped by one-third.

The Postal Service has indicated that crowdsourced carriers are testing the provision of "last mile" delivery services.[57] This has a potential to become a new source of competition for the segment of the Postal Service's operations that has historically remained relatively free of competitive pressures, which could put additional stress on the Postal Service's financial condition.

The change in mail mix with respect to volume has caused a sizeable shift in the distribution of mail weight between Market Dominant and Competitive products, as shown in Figure III-7 below.

Figure III-7
Market Dominant Mail Weight by Mail Class and Competitive Mail Weight (Billions Lbs)
FY 2015 – FY 2024



Source: Postal Service's Product Finances, FY 2015-2024.

On average, the weight of a Competitive mailpiece has increased by about 1.4 percent annually in the last decade, while the weight of a domestic Market Dominant mailpiece has decreased by about 2.4 percent per year. The decline in Market Dominant average weight per piece was driven by USPS Marketing Mail, which decreased by about 3.2 percent

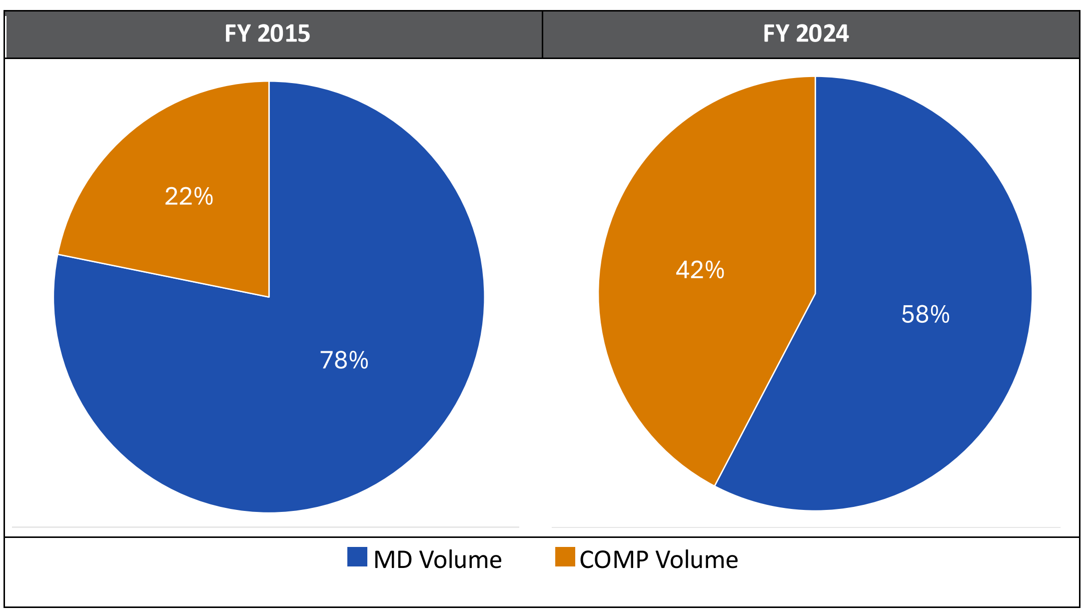
[57] *Id.*

annually, while remaining relatively stable for First-Class Mail and Other Market Dominant Mail (Domestic). The decline in average weight of USPS Marketing Mail piece was driven by a 2.7 percent decrease in weight of a flat mailpiece, while for letters, mailpiece weight decreased by only about 0.8 percent per year over the course of the last decade. Since FY 2015, the total weight of Competitive mail more than doubled, and the total weight of Market Dominant mail decreased by 43 percent.

REVENUE

As the domestic Market Dominant mail volume declined and Competitive volume increased over the last ten years, so have the proportions of total Postal Service revenue generated from the sale of domestic Market Dominant and Competitive products. In FY 2015, Market Dominant revenue accounted for 78.2 percent of total revenue, in FY 2024, that proportion decreased to 57.7 percent. In FY 2015, Competitive revenue accounted for 21.8 percent of total revenue, with the proportion increasing to 42.3 percent by FY 2024. This trend is illustrated in Figure III-8.

Figure III-8
Domestic Mail Revenue, FY 2015 and FY 2024

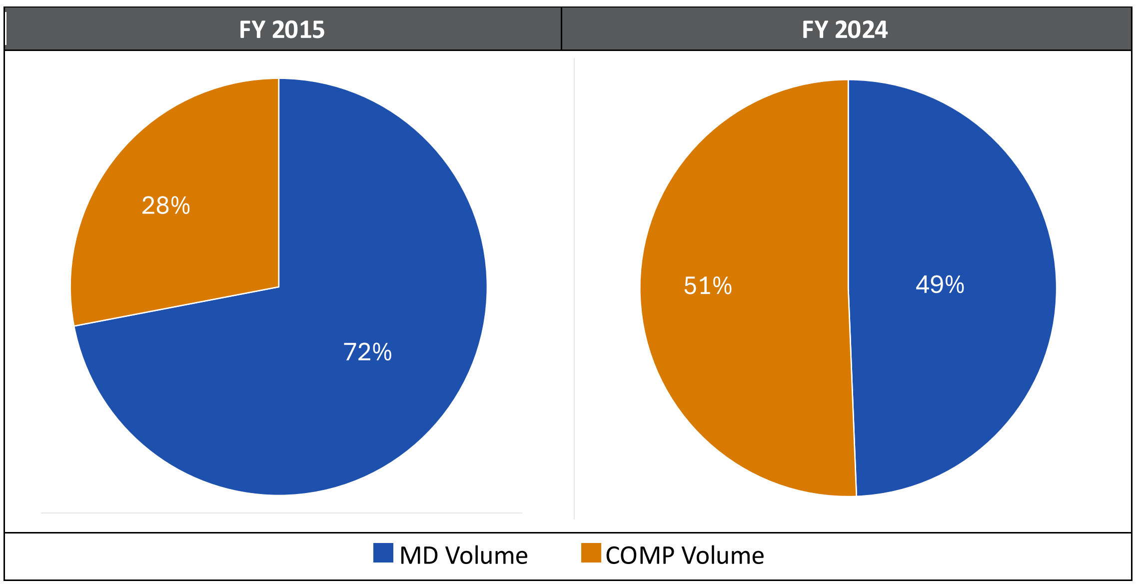


Note: The data do not include revenues for special services products, domestic or international.
Source: Postal Service's Product Finances, FY 2015 and FY 2024.

ATTRIBUTABLE COST

Similarly to changes in the composition of mail revenue, the proportion of total attributable cost accounted for by Market Dominant products has declined over the course of the last ten years, from 72.0 percent in FY 2015 to 49.4 percent in FY 2024. For Competitive products, the proportion of total attributable cost has increased from 28.0 percent in FY 2015 to 50.6 percent in FY 2024. This is depicted in Figure III-9 below.

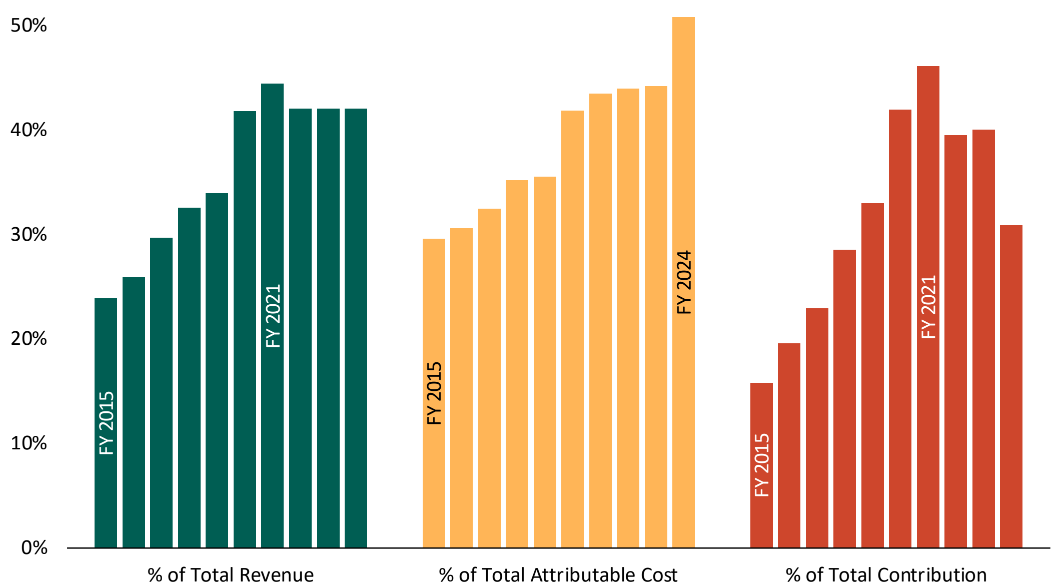
Figure III-9
Domestic Mail Attributable Cost, FY 2015 and FY 2024



Note: The data do not include costs for special services products, domestic or international.
Source: Postal Service's Product Finances, FY 2015 and FY 2024.

As shown in Figure III-10 below, which includes data for domestic and international mail products and services, the Competitive products' share of total Postal Service revenue and attributable cost increased each year in the first half of the last decade. However, Competitive products' revenue share leveled off in the second half of the last decade, while attributable cost share continued to increase. More specifically, Competitive products attributable cost accounted for 29.6 percent of total attributable cost in FY 2015, and it accounted for 50.8 percent of total attributable cost in FY 2024, a 21-percentage point increase. In the same span of time, Competitive products revenue share increased by 18 percentage points (from 23.9 percent in FY 2015 to 42.0 percent in FY 2024). This has had an effect of Competitive products' contribution out of total (Market Dominant and Competitive) products' contribution diminishing.

Figure III-10
Competitive Products' Share of Total Revenue, Cost, and Contribution (Percent)
FY 2015 – FY 2024

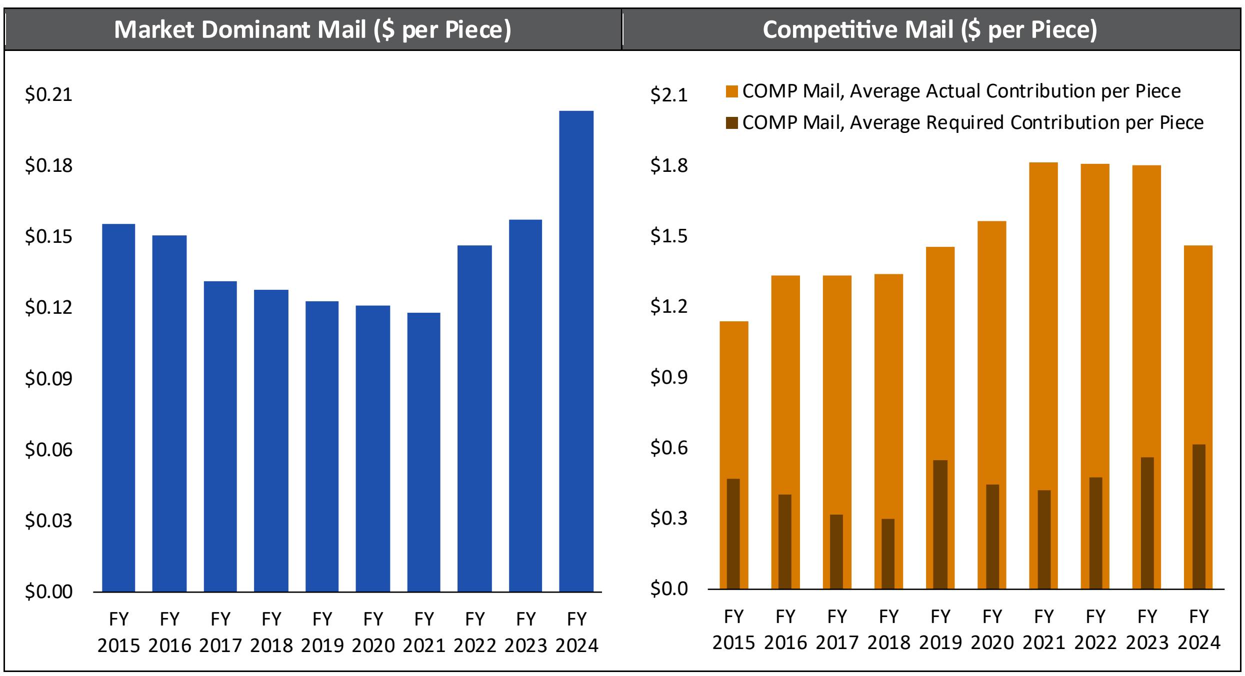


Source: Postal Service's Product Finances, FY 2015-2024.

INSTITUTIONAL COST COVERAGE

The different magnitudes of revenue and cost changes for Market Dominant and Competitive mail have impacted contribution of these mail categories to the Postal Service's institutional cost. For Market Dominant mail, unit contribution declined from FY 2015 until FY 2021, when it began to climb. Competitive mail, however, followed the opposite trend, with unit contribution climbing steadily until FY 2021, and descending thereafter. These trends are shown in Figure III-11 below.

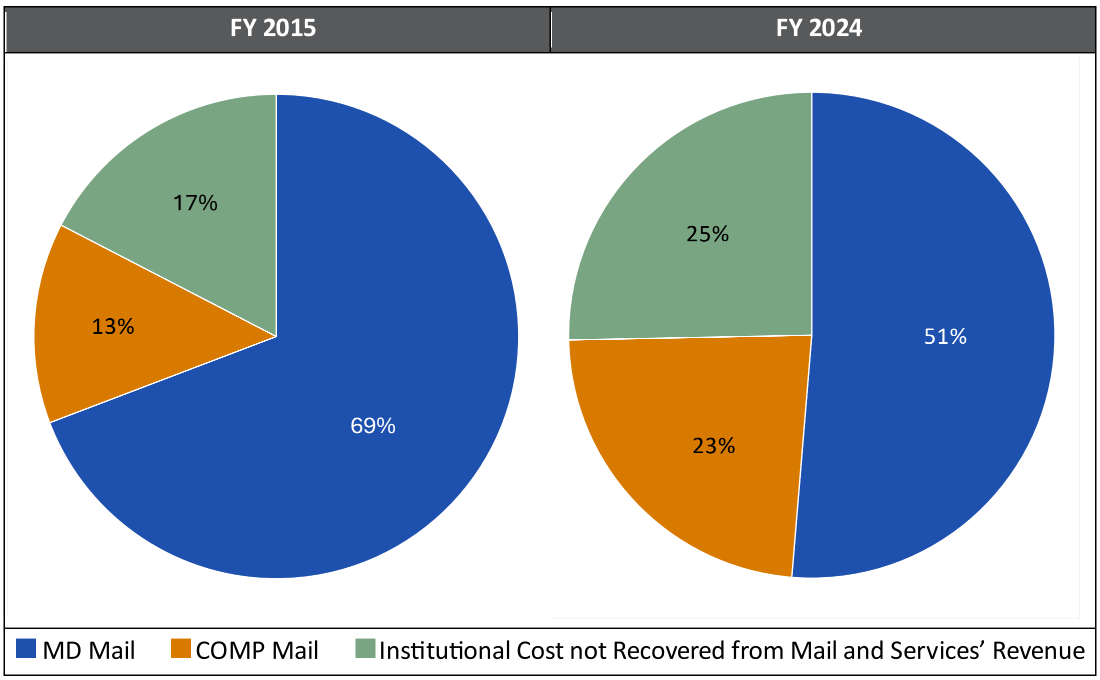
Figure III-11
Average Contribution per Mailpiece
FY 2015 – FY 2024



Source: Postal Service's Product Finances, FY 2015-2024.

The Postal Service's ability to recover institutional costs has changed in response to shifting mail profiles and market developments over the last decade. This shift is illustrated in Figure III-12.

Figure III-12
Market Dominant and Competitive Mail Contribution to Institutional Cost, FY 2015 and FY 2024



Note: The percentages in the above pie charts don't add up to 100 percent due to rounding.
Source: Postal Service's Product Finances, FY 2015 and FY 2024.

In the next section, changes in cost, revenue, and contribution to institutional cost by Market Dominant and Competitive products are examined.

Market Dominant Volume, Revenue, and Cost Trends by Mail Class

First-Class Mail

First-Class Mail Products

- Single-Piece Letters/Postcards
- Presort Letters/Postcards
- Flats
- Outbound Single-Piece First-Class Mail International
- Inbound Letter Post

There are five products assigned to First-Class Mail, as shown in the image to the left. For the purposes of this report, First-Class Mail products are grouped into letters, flats, and "all other."[58]

FIRST-CLASS MAIL LETTERS SINCE LAST YEAR

Table III-2 summarizes changes in volume and revenue for First-Class Mail letters since FY 2023.

Table III-2
First-Class Mail Letters Volume and Revenue, FY 2023 – FY 2024

	Volume (Millions)				Revenue ($ Millions)			
	FY 2023	FY 2024	Change	% Change	FY 2023	FY 2024	$ Change	% Change
Single-Piece Letters/Postcards	11,415	10,303	(1,112)	(9.7%)	$7,159	$7,010	$(149)	(2.1%)
Presort Letters/Postcards	30,811	30,319	(493)	(1.6%)	14,736	15,586	850	5.8%
Total Letters/Postcards	**42,227**	**40,622**	**(1,605)**	**(3.8%)**	**$21,895**	**$22,596**	**$701**	**3.2%**

Source: Postal Service's Product Finances, FY 2023-2024.

Total First-Class Mail letter volume declined by 3.8 percent, an improvement from last year's 5.3 percent decline.[59] The FY 2024 decrease in First-Class Mail letter volume was less severe than that of FY 2023 due to a milder loss of Presort letter volume in FY 2024 (-1.6 percent) compared to the 4.2 percent volume loss in FY 2023. While this slower rate of

[58] "All other" First-Class Mail includes single-piece and presorted postcards, Outbound Single-Piece First-Class Mail International, Inbound Letter Post, and Inbound International negotiated service agreements (NSAs).
[59] FY 2023 Financial Report at 50.

Presort letter volume loss is somewhat encouraging, Single-Piece letter volume declined by 9.7 percent. This represents the third largest annual volume decrease for Single-Piece letters in the PAEA era, surpassed only by the 9.9 percent decrease in FY 2011 and the 10.3 percent decrease in FY 2009.[60]

Total revenue for First-Class Mail letters increased by 3.2 percent in FY 2024, despite the decline in volume. This is primarily due to the two price increases that took effect in January 2024[61] and July 2024.[62] Unit revenue increased from 52 cents per piece in FY 2023 to 56 cents in FY 2024, reflecting a 7.3 percent increase. Notably, Single-Piece and Presort letters both saw unit revenue increases (8.5 percent and 7.5 percent, respectively), which explains why Single-Piece letter revenue declined less steeply than its volume, and why Presort letter revenue increased by 5.8 percent despite a volume decline of 1.6 percent.

Table III-3 below summarizes the FY 2024 change in attributable cost for First-Class Mail letters. Total attributable cost saw a notable ($897 million, or 9.5 percent) reduction since last year, exceeding the reduction in First-Class Mail letter volume between FY 2023 and FY 2024. On a per-piece basis, attributable costs declined for both Single-Piece and Presort letters. Combined with the increased unit revenues, the cost declines led to an improved contribution of letters toward institutional cost despite declining volumes.

Table III-3
First-Class Mail Letters Attributable Cost and Average Unit Attributable Cost
FY 2023 – FY 2024

	Attributable Cost ($ Millions)				Unit Attributable Cost (Cents per Piece)			
	FY 2023	FY 2024	$ Change	% Change	FY 2023	FY 2024	¢ Change	% Change
Single-Piece Letters/Postcards	$4,489	$3,907	$(583)	(13.0%)	39.3¢	37.9¢	(1.4)¢	(3.6%)
Presort Letters/Postcards	4,962	4,648	(315)	(6.3%)	16.1	15.3	(0.8)	(4.8%)
Total Letters/Postcards	**$9,452**	**$8,555**	**$(897)**	**(9.5%)**	**22.4¢**	**21.1¢**	**(1.3)¢**	**(5.9%)**

Source: Postal Service's Product Finances, FY 2023-2024.

Table III-4 highlights First-Class Mail letter unit cost changes for major cost segments between FY 2023 and FY 2024. The unit costs presented include all indirect costs piggybacked on the direct cost.

[60] *See* Docket No. ACR2009, Library Reference PRC-ACR2009-LR1, March 29, 2010; *see also* Docket No. ACR2011, Library Reference PRC-ACR2011-LR1, March 28, 2012.

[61] Docket No. R2024-1, Order on Price Adjustments for First-Class Mail, USPS Marketing, Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, November 22, 2023 (Order No. 6814) at 20.

[62] 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) at 60.

Table III-4
First-Class Mail Letters Average Unit Attributable Cost by Cost Segment (Cents per Piece)
FY 2023 and FY 2024

Cost segment	Single-Piece Letters/Postcards			Presorted Letters/Postcards		
	FY 2023	FY 2024	% Change	FY 2023	FY 2024	% Change
Mail Processing	19.2	21.7	12.8%	7.1	7.7	7.9%
City Carriers	10.1	6.3	(37.9%)	5.2	3.6	(29.9%)
Window Service	2.3	2.4	3.7%	0.1	0.1	17.1%
Rural Carriers	1.8	1.7	(7.9%)	1.3	1.6	23.7%
Transportation	3.2	3.1	(4.1%)	1.7	1.6	(4.0%)

Source: Docket No. ACR2023, Library Reference USPS-FY23-1: FY 2023 Public Cost and Revenue Analysis (PCRA) Report, December 29, 2023; Docket No. ACR2024, Library Reference USPS-FY24-1: FY 2024 Public Cost and Revenue Analysis (PCRA) Report, December 30, 2024 (Collectively PCRA Report, FY 2023-2024); Docket No. ACR2023, Library Reference USPS-FY23-24: Non-Operations Specific Piggyback Factors (Public Portion), December 29,2023; Docket No. ACR2023, Library Reference USPS-FY24-24: Non-Operations Specific Piggyback Factors (Public Portion), December 30,2024 (Collectively NOS Piggyback Factors, FY 2023-2024).

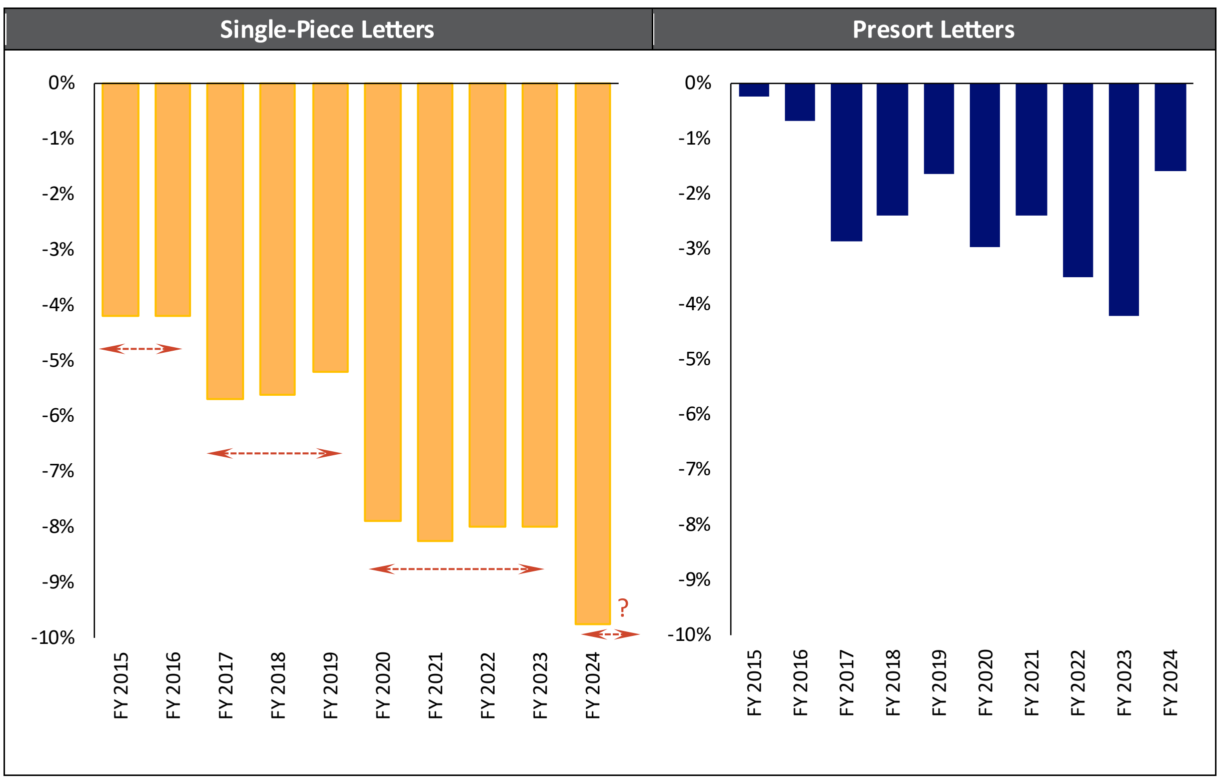
Both Single-Piece and Presorted letters saw a sizeable increase in mail processing cost. Both letter categories experienced a decline in city carrier costs following the implementation of the new costing methodology for city carrier costing.[63] While the anticipated decrease in unit rural carrier costs for Single-Piece letters materialized, the observed 23.7 percent increase in rural carrier cost per piece for Presorted letters is substantially larger than expected.[64] Transportation cost per piece decreased for Single-Piece and Presorted letters by a similar amount, approximately 4.1 percent for Single-Piece letters and 4.0 percent for Presorted letters.

[63] *See generally* Order No. 7411.
[64] *See* Order No. 7049 at 35; *see also* Docket No. RM2024-2, Michael D. Bradley, Calculating the Rural Carrier Product Costs Arising Under the New Evaluation System, November 21, 2023 (Bradley Study), at 136.

FIRST-CLASS MAIL LETTERS IN THE LAST DECADE

While the decline in First-Class Mail letter volume was slower in FY 2024 than the prior year, First-Class Mail has lost letter volume in each year of the PAEA era. Among these years, FY 2015 saw the least severe volume losses. Since then, Presort letters experienced cycles of less and more severe volume losses. In contrast, Single-Piece letters have experienced periods of steady volume declines lasting 2-4 years at a time followed by a drop to a faster rate of decline. Whether FY 2024 marks the beginning of another phase of Single-Piece letter volume decline remains to be seen. First-Class Mail letter annual volume changes of the last decade are depicted in Figure III-13 below.

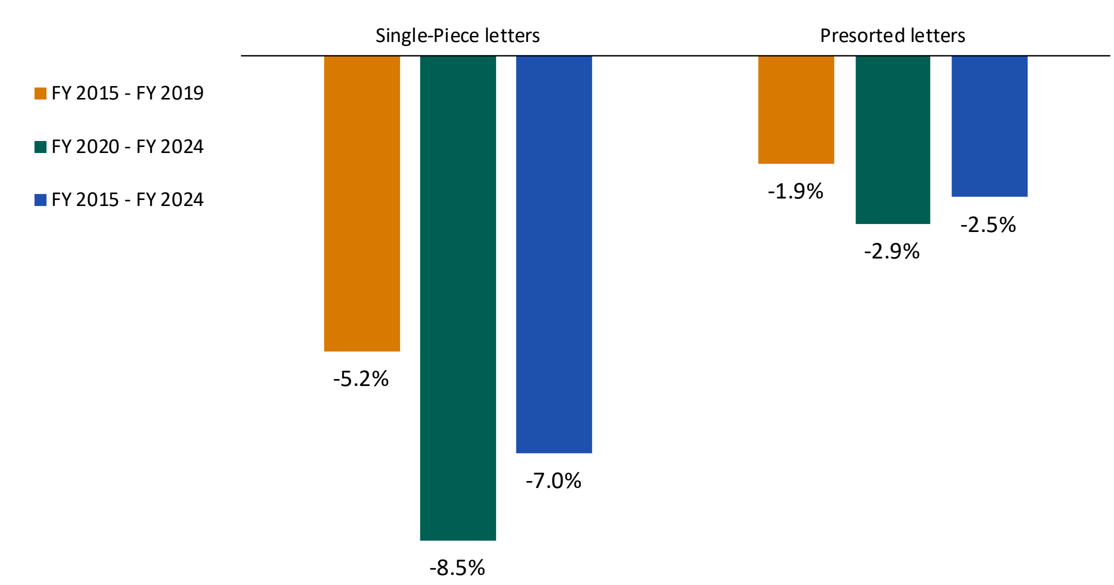
Figure III-13
Percent Change in Volume for First-Class Mail Letters
FY 2015 – FY 2024



Source: Postal Service's Product Finances, FY 2015-2024.

While following different patterns, average annual volume losses for both categories of letters have accelerated in the second half of the last decade, as shown in Figure III-14 below.

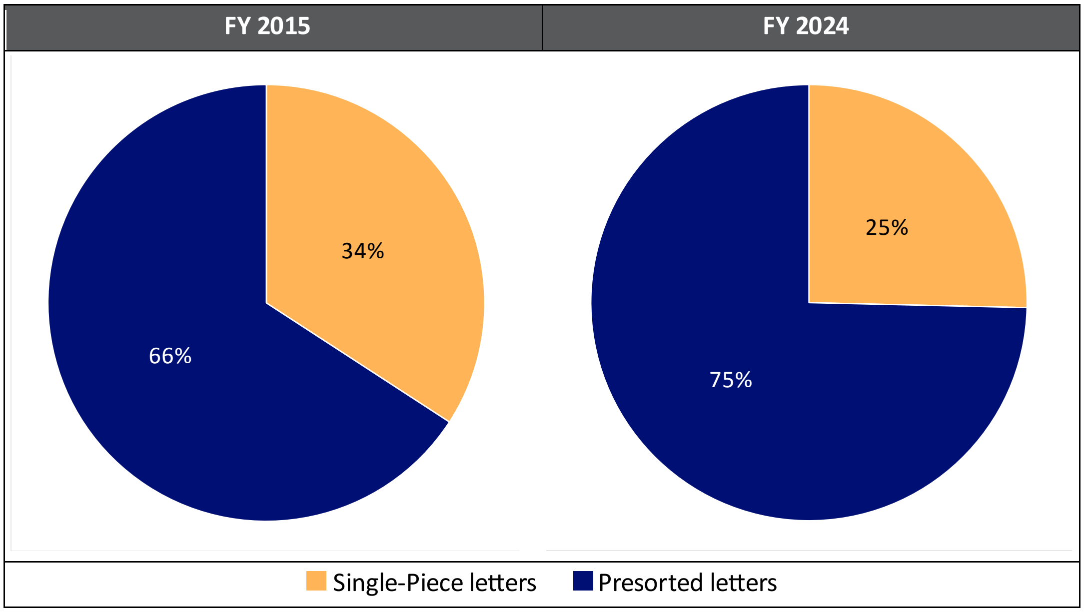
Figure III-14
Average Annual Change in Single-Piece and Presort Letter Volume (Percent)
FY 2015 – FY 2024



Source: Postal Service's Product Finances, FY 2015-2024.

Not surprisingly, with steeper declines in Single-Piece letters volume, their share of total First-Class Mail letter volume decreased from 34 percent in FY 2015 to 25 percent in FY 2024.

Figure III-15
First-Class Mail Letter Volume Make-Up
FY 2015, FY 2024



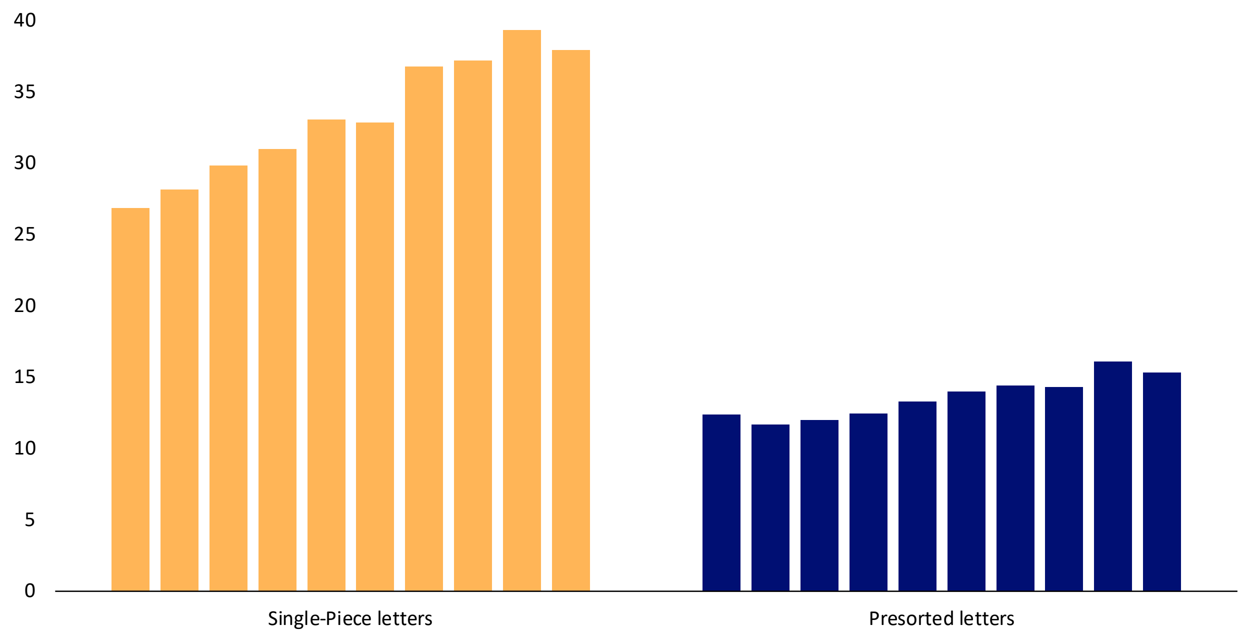
Source: Postal Service's Product Finances, FY 2015 and FY 2024.

The primary driver of the ongoing decline in First-Class Mail letter volume continues to be the shift from traditional mail to electronic communication and alternative transaction methods.[65]

[65] Postal Service FY 2024 Form 10-K at 7.

As letter volumes have declined over the last ten years, their unit costs have increased, as shown in Figure III-16 below. Figure III-16 also illustrates that the most recent unit cost decreases (FY 2024) for both First-Class Mail letter categories were not sufficient to bring costs back to pre-FY 2023 levels, when Single-Piece and Presort letters unit costs increased markedly (5.7 percent and 12.5 percent, respectively).

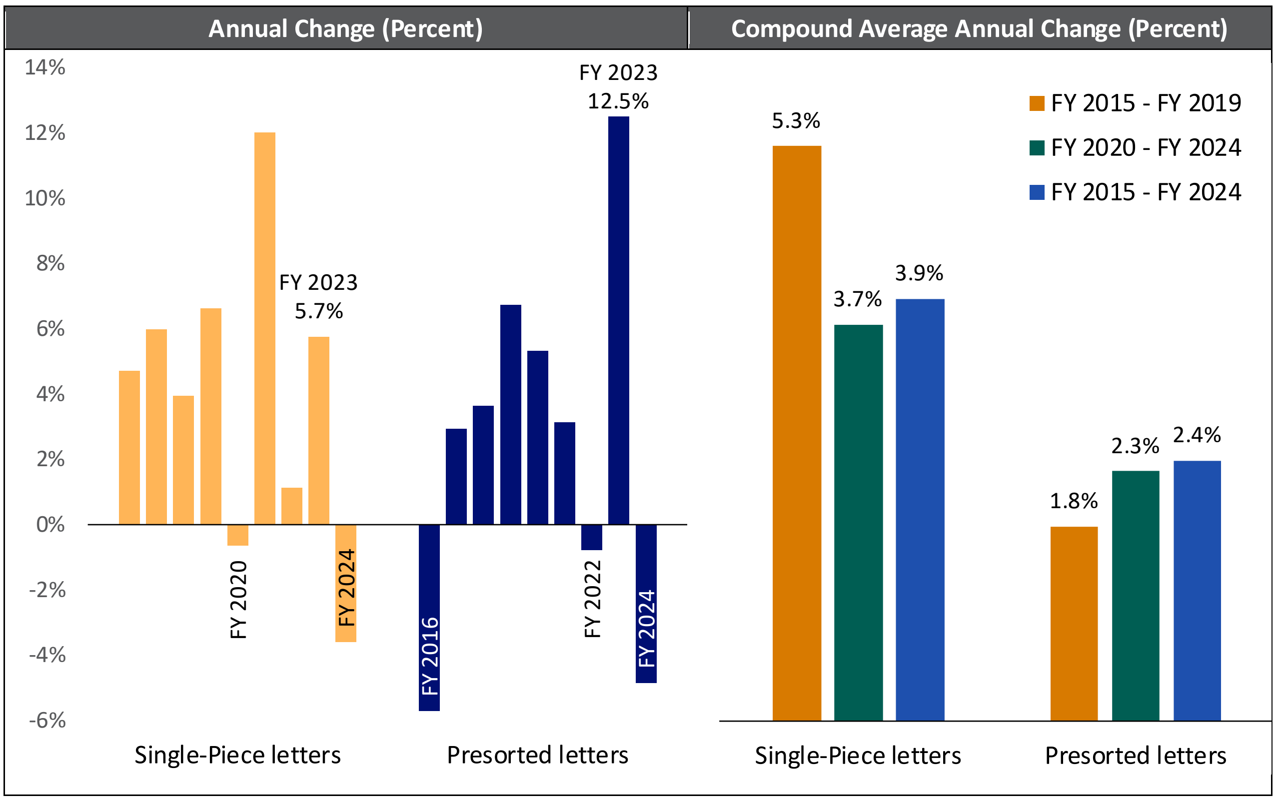
Figure III-16
Unit Attributable Cost for First-Class Mail Letters (Cents per Piece)
FY 2015 – FY 2024



Source: Postal Service's Product Finances, FY 2015-2024.

Figure III-17 illustrates that over the course of the last decade, the unit attributable cost of First-Class Mail Single-Piece letters has increased every year, except in FYs 2020 and 2024. The reductions in each of these years were driven by methodological changes that reduced the amount of city carrier costs allocated to letter-shaped mail.

Figure III-17
Unit Attributable Cost Change for First-Class Mail Letters
FY 2015 – FY 2024



Source: Postal Service's Product Finances, FY 2015-2024.

Figure III-17 also shows that despite reductions in the unit cost of presorted letters in three of the last ten years, on average, their unit costs increased 2.4 percent per year, due to an accelerated rate of cost increases in the second half of the last decade. With presorted letters representing an ever-larger portion of total First-Class Mail letter volume, this trend is increasingly detrimental to the financial results of First-Class Mail letters.

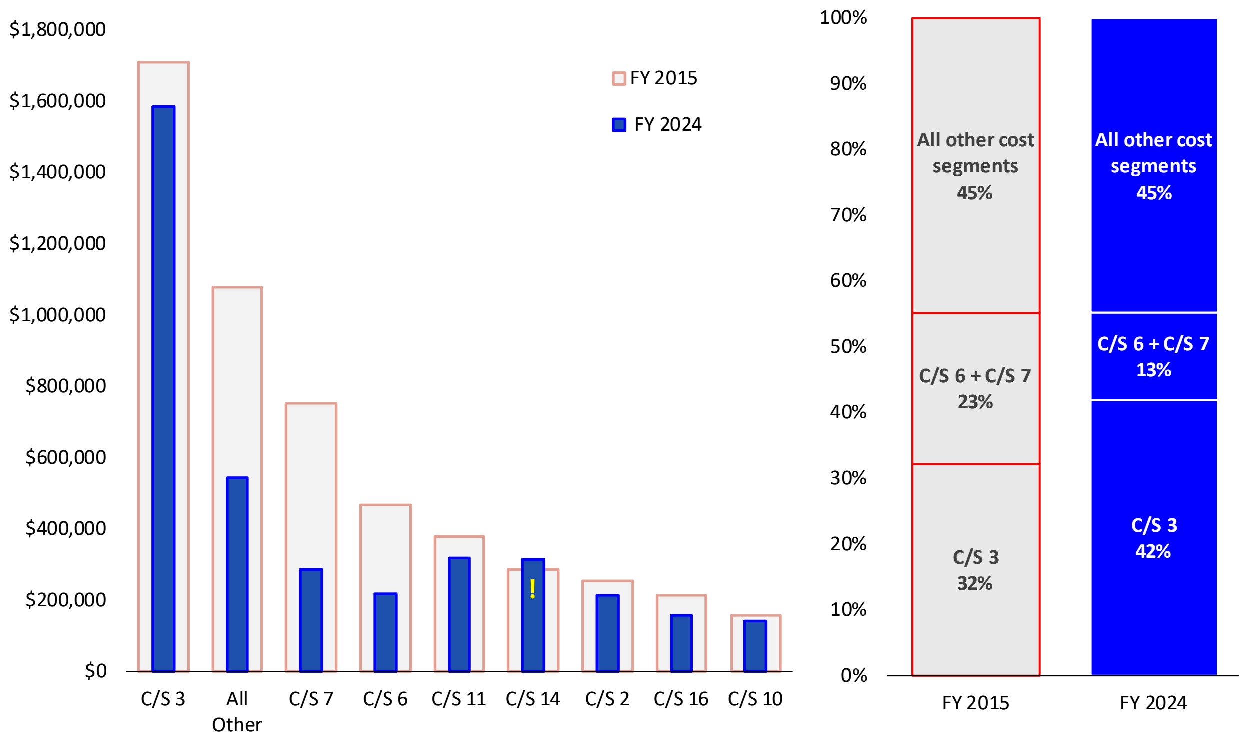
Figure III-18 depicts attributable costs for First-Class Mail Single-Piece letters, by cost segment, at the beginning and the end of the past decade. The data in the figure indicate that Cost Segment 3, which includes salaries, benefits, and related expenses for clerks and mail handlers primarily involved in mail processing activities, was the largest cost segment, both in FY 2015 and in FY 2024.

First-Class Mail Single-Piece letter volume decreased by almost one-half (47.8 percent) between FYs 2015 and 2024. However, the data in Figure III-18 indicate that this decrease in volume is not reflected in comparable decreases in attributable costs across several cost segments. For example, Cost Segment 3 costs for FY 2024 are only 7.2 percent below the segment's FY 2015 reported amount, while for Cost Segment 14, which includes expenses on purchased transportation, attributable cost for FY 2024 was almost 10 percent higher than in FY 2015.

As some cost segments experienced cost reductions that were more-or-less commensurate to the reduction in volume and other cost segments have not, cost composition between FY 2015 and FY 2024 shifted markedly. For example, mail processing (Cost Segment 3) accounted for 32 percent of the total attributable cost of First-Class Mail Single-Piece letters in FY 2015, and city delivery-related costs (Cost Segment 6 and Cost Segment 7) accounted for 23 percent. Unlike mail processing costs, city delivery-related costs declined more consistently with the reduction in volume. This resulted in mail processing representing a much larger proportion of total attributable cost of First-Class Mail Single-Piece letters in FY 2024 (42 percent) than it did in FY 2015 (32 percent), while the proportion of city delivery-related costs was reduced (from 23 percent to 13 percent).

The changes in nominal cost values and in the distribution of attributable costs between cost segments reflect, in part, differences in the extent to which the Postal Service has succeeded at cost reduction initiatives in different segments of its operations as volume declined over the course of the last decade.

Figure III-18
First-Class Mail Single-Piece Letters Attributable Costs ($ Thousands) and Cost Composition (Percent) by Cost Segment
FY 2015, FY 2024



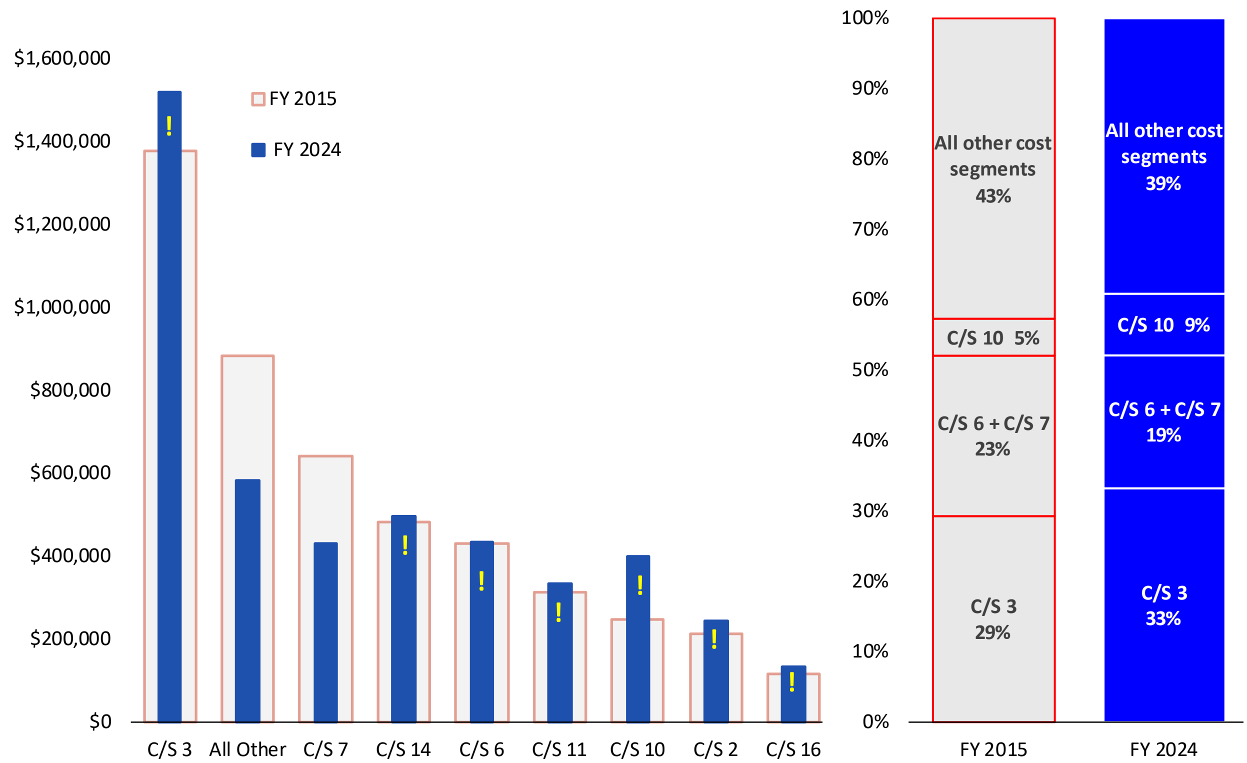
C/S 2	Supervisors and Technicians
C/S 3	Clerks and Mailhandlers
C/S 6	City Delivery Carriers – Office Activity
C/S 7	City Delivery Carriers – Street Activity
C/S 10	Rural Carriers
C/S 11	Custodial and Maintenance Services
C/S 14	Transportation
C/S 16	Supplies and Services

All Other
C/S 8 Vehicle Service Drivers
C/S 12 Motor Vehicle Service
C/S 13 Miscellaneous Local Operations
C/S 15 Building Occupancy
C/S 17 Research and Development
C/S 18 Servicewide Personnel Benefits and HQ/Area Operations
C/S 19 General Management Systems
C/S 20 Other Accrued Expenses (Servicewide)

Note: The costs presented in the figure are based on direct costs and do not include “piggybacked” indirect costs.
Source: Docket No. ACR2015, Library Reference USPS-FY15-2, December 29, 2015 (USPS-FY15-2); Docket No. ACR2024, Library Reference USPS-FY24-2, December 30, 2024 (USPS-FY24-2).

Figure III-19 presents similar information for First-Class Mail Presorted letters.

Figure III-19
First-Class Mail Presorted Letters Attributable Costs ($ Thousands) and Cost Composition (Percent) by Cost Segment
FY 2015, FY 2024



C/S 2	Supervisors and Technicians
C/S 3	Clerks and Mailhandlers
C/S 6	City Delivery Carriers – Office Activity
C/S 7	City Delivery Carriers – Street Activity
C/S 10	Rural Carriers
C/S 11	Custodial and Maintenance Services
C/S 14	Transportation
C/S 16	Supplies and Services

All Other
C/S 8 Vehicle Service Drivers
C/S 12 Motor Vehicle Service
C/S 13 Miscellaneous Local Operations
C/S 15 Building Occupancy
C/S 17 Research and Development
C/S 18 Servicewide Personnel Benefits and HQ/Area Operations
C/S 19 General Management Systems
C/S 20 Other Accrued Expenses (Servicewide)

Note: The costs presented in the figure are based on direct costs and do not include "piggybacked" indirect costs.
Source: USPS-FY15-2, USPS-FY24-2.

For First-Class Mail Presorted letters, the volume loss in the last ten years was less severe (20.2 percent) than for First-Class Mail Single-Piece letters (47.8 percent). However, attributable costs declined only for Cost Segment 7 (City Delivery Carriers – Street Activity), and for "All Other" cost segments combined. For seven cost segments, FY 2024 attributable costs exceeded their FY 2015 levels. The data in Figure III-19 show that FY

2024 costs exceed FY 2015 levels by negligible amounts for some cost segments, while for others, they have increased substantially. For example, FY 2024 Cost Segment 6 (City Delivery Carriers – Office Activity) costs are less than 1 percent higher than FY 2015 costs for that cost segment. In contrast, Cost Segment 10 (Rural Carriers) costs are 62 percent higher in FY 2024 than in FY 2015. For Cost Segment 3 (Clerks and Mailhandlers), the 20.2 percent decline in volume was accompanied by a 10.3 percent increase in attributable cost.

FIRST-CLASS MAIL FLATS SINCE LAST YEAR

Table III-5 shows the total volume and revenue for First-Class Mail Flats. Single-Piece flats declined 13.9 percent in FY 2024, exceeding the 7.9 percent decline in FY 2023.[66] Conversely, Presorted flats declined by 5.3 percent in FY 2024, compared to the 13.8 percent decline in FY 2023.[67] Overall, First-Class Mail Flats volume decreased by 9.8 percent in FY 2024, a mere percentage point "improvement" over the FY 2023 decline of 10.8 percent.[68]

Despite the volume loss, revenue for total First-Class Mail Flats increased in FY 2024. Of the two categories of First-Class Mail Flats, Presorted flats revenue surged by 27.1 percent, and revenue for Single-Piece flats declined, although less severely (7.6 percent) than volume. On a per piece basis, both categories of First-Class Mail Flats saw an increase (7.3 percent for Single-Piece flats and 34.2 percent for Presorted flats), primarily due to the two Market Dominant rate increases in FY 2024.[69]

Table III-5
First-Class Mail Flats Volume and Revenue
FY 2023 – FY 2024

	Volume (Millions)				Revenue ($ Millions)			
	FY2023	FY 2024	Change	% Change	FY 2023	FY 2024	$ Change	% Change
Single-Piece Flats	508	437	(71)	(13.9%)	$1,004	$927	$(77)	(7.6%)
Presort Flats	466	441	(25)	(5.3%)	$636	$809	172	27.1%
Total Flats	**973**	**878**	**(95)**	**(9.8%)**	**$1,640**	**$1,736**	**$96**	**5.8%**

Source: Postal Service's Product Finances, FY 2023-2024.

[66] FY 2023 Financial Report at 56-57.
[67] *Id.*
[68] *Id.*
[69] *See generally*, Order No. 6814; *see also* Order No. 7155.

Table III-6 summarizes the FY 2024 changes in attributable costs for First-Class Mail Flats. For First-Class Mail Flats overall, attributable costs decreased in FY 2024 (-3.4 percent); on a unit basis, however, attributable cost increased (7.1 percent). Of the two Fist-Class Mail Flats categories, unit cost increased more for Single-Piece flats (9.0 percent) than it did for Presorted flats (6.8 percent).

Table III-6
First-Class Mail Flats Attributable Cost and Average Unit Attributable Cost
FY 2023 – FY 2024

	Attributable Cost ($ Millions)				Unit Attributable Cost (Cents per Piece)			
	FY 2023	FY 2024	$ Change	% Change	FY 2023	FY 2024	¢ Change	% Change
Single-Piece Flats	$899	$844	$(55)	(6.1%)	177.1¢	193.2¢	16.0¢	9.0%
Presort Flats	543	550	6	1.2%	116.7	124.7	8.0	6.8%
Total Flats	**$1,445**	**$1,396**	**$(49)**	**(3.4%)**	**148.5¢**	**159.1¢**	**10.5¢**	**7.1%**

Source: Postal Service's Product Finances, FY 2023-2024.

Table III-7 shows First-Class Mail Flats unit cost changes for major cost segments between FY 2023 and FY 2024. These include both direct costs and all indirect "piggybacked" costs. The data in Table III-7 indicate that of the major cost segments, mail processing was the driving factor of the 7.1 percent increase in unit attributable cost for First-Class Mail Flats mailpiece in FY 2024.

Table III-7
First-Class Mail Flats Average Unit Attributable Cost by Cost Segment (Cents per Piece)
FY 2023 and FY 2024

Cost Segment	FY 2023	FY 2024	% Change
Mail Processing	80.6	95.2	18.2%
City Carriers	26.5	22.9	-13.5%
Window Service	2.9	3.8	27.8%
Rural Carriers	6.1	4.9	-19.9%
Transportation	26.1	25.5	-2.3%

Source: PCRA Report, FY 2023-2024; NOS Piggyback Factors, FY 2023-2024.

Both city and rural carrier cost per piece decreased in FY 2024, at least partially due to new city and rural carrier costing methodologies.[70]

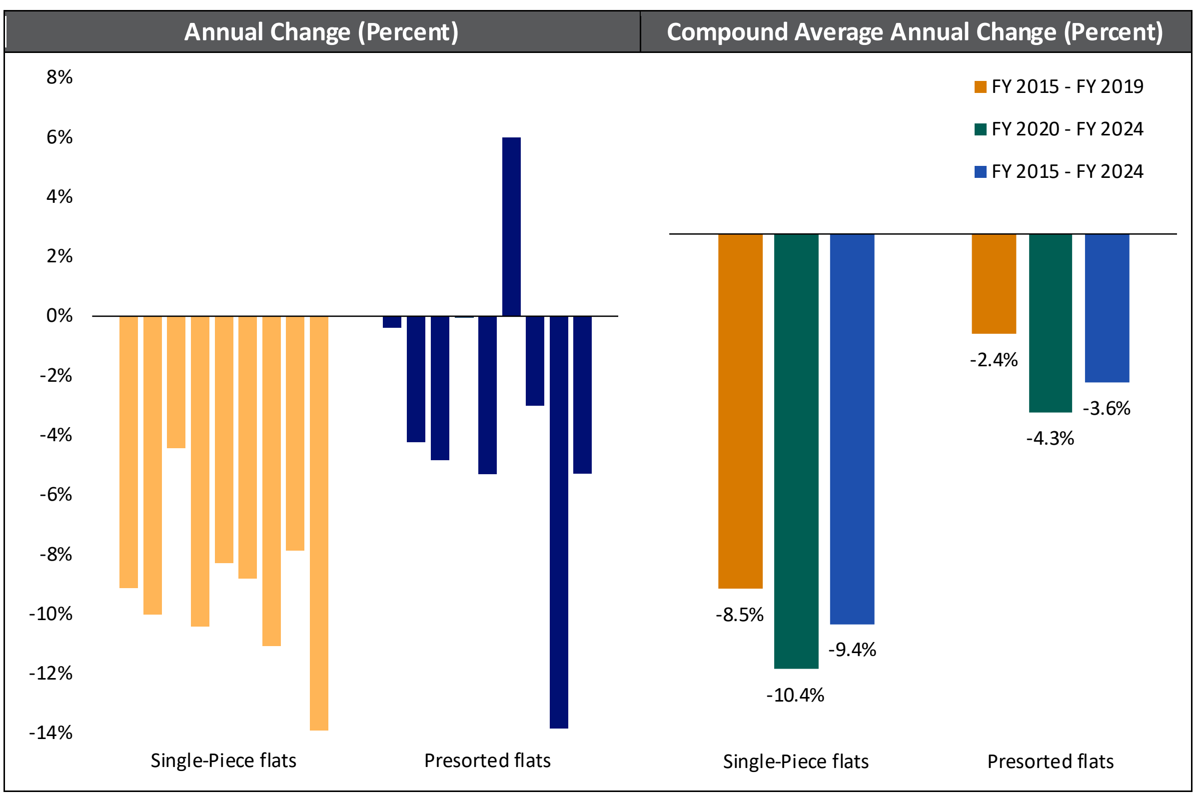
[70] *See generally* Order No. 7049; *see also* Order No. 7411.

FIRST-CLASS MAIL FLATS IN THE LAST DECADE

The volume of First-Class Mail Flats has persistently declined over the last decade, as illustrated in Figure III-20. Since FY 2015, total First-Class Mail Flats volume has declined by 47.4 percent, with Single-Piece flats experiencing a steeper (58.7 percent) decline compared to 27.9 percent for Presorted flats.

The pace of volume decline has accelerated in the second half of the last decade, for both Single-Piece and Presorted flats, as shown in Figure III-20. Single-Piece flats volume loss averaged at about 8.5 percent annually between FY 2015 and FY 2019, and deepened to about 10.4 percent annual decline, on average, in FY 2020 through FY 2024. While Presorted flats volume losses were less steep, they have similarly accelerated in the last 5 years. In FY 2015, Single-Piece flats accounted for 63 percent of total First-Class Mail Flats volume; by FY 2024, they accounted for only 50 percent.

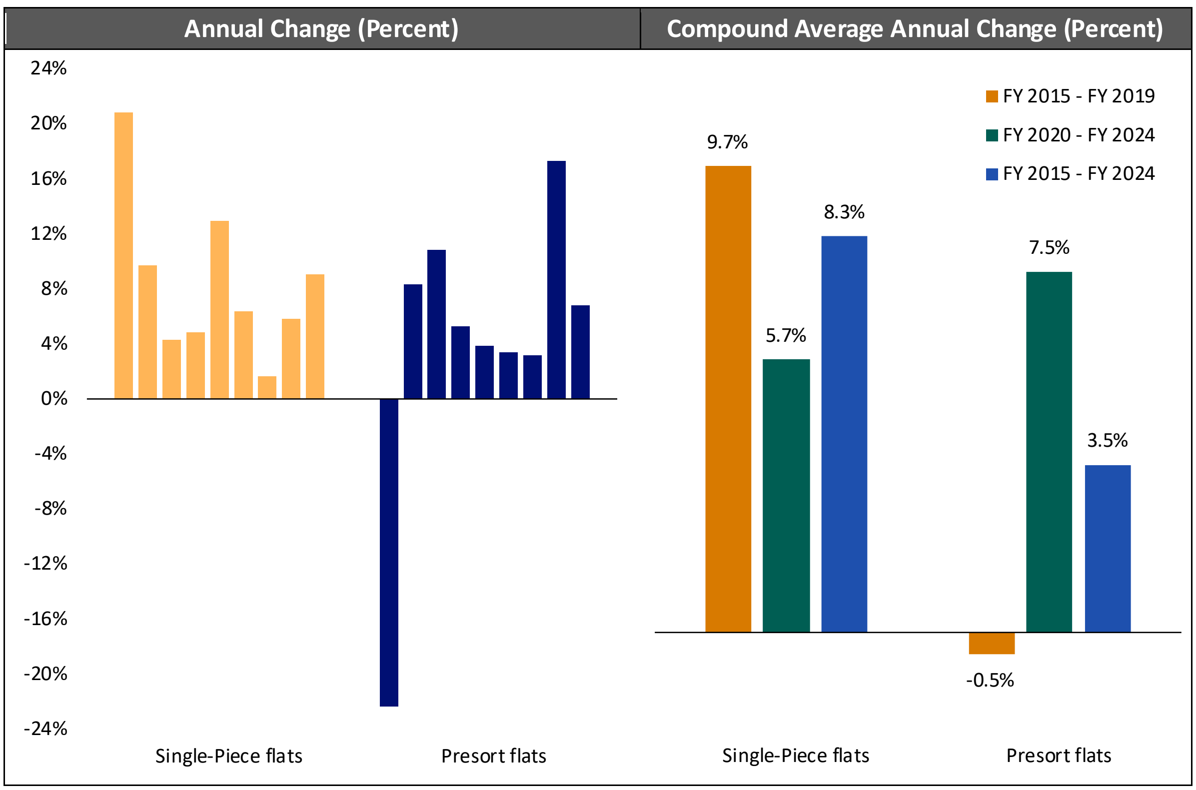
Figure III-20
Percent Change in Volume for First-Class Mail Flats
FY 2015 – FY 2024



Source: Postal Service's Product Finances, FY 2015-2024.

Figure III-21 presents the average unit attributable cost for First-Class Mail Single-Piece and Presorted flats since FY 2015. The average unit attributable cost for First-Class Mail Single-Piece and Presorted flats have increased steadily over the last ten years, with Single-Piece flats experiencing faster unit cost growth. The recent rise in unit costs for Presorted flats is a point of concern, as they have accounted for an ever-increasing portion of the product's total volume.[71]

Figure III-21
First-Class Mail Flats Average Unit Attributable Cost
FY 2015–FY 2024



Source: Postal Service's Product Finances, FY 2015-2024.

[71] First-Class Mail Presorted flats accounted for 37 percent of total First-Class Mail Flats in FY 2015, and they accounted for 50 percent of the product's volume by FY 2024.

OTHER FIRST-CLASS MAIL

Table III-8 shows volume and revenue data for "Other First-Class Mail," which includes postcards (single-piece and presorted), Outbound Single-Piece First-Class Mail International (Outbound FCMI), and Inbound Letter Post. For each of these categories of First-Class Mail, volume declined in FY 2024, while revenue decreased for the two international First-Class Mail categories and increased for postcards.

Table III-8
Other First-Class Mail Volume and Revenue, FY 2023 – FY 2024

	Volume (Millions)				Revenue ($ Millions)			
	FY 2023	FY 2024	Change	% Change	FY 2023	FY 2024	$ Change	% Change
Total Cards	2,807	2,777	(30)	(1.1%)	$1,040	$1,069	$29	2.8%
Outbound FCMI	99	89	(10)	(10.1%)	179	172	(8)	(4.2%)
Inbound Letter Post	72	65	(7)	(9.2%)	52	49	(3)	(6.5%)
Total Other First-Class Mail	**2,978**	**2,931**	**(47)**	**(1.6%)**	**$1,272**	**$1,290**	**$18**	**1.4%**

Source: Postal Service's Product Finances, FY 2023-2024.

The data in Table III-9 show that attributable costs decreased for postcards and Inbound Letter Post in FY 2024, both in aggregate and on a per-unit basis. For Outbound FCMI, total attributable cost decreased by less than 1 percent, and it increased by 10.2 percent per mailpiece.

Table III-9
Other First-Class Mail Attributable Cost and Average Unit Attributable Cost
FY 2023 – FY 2024

	Attributable Cost ($ Millions)				Unit Attributable Cost (Cents per Piece)			
	FY 2023	FY 2024	$ Change	% Change	FY 2023	FY 2024	¢ Change	% Change
Total Cards	$420	$358	$(62)	(14.7%)	15.0¢	12.9¢	(2.0) ¢	(13.8%)
Outbound FCMI	105	104	(1)	(0.9%)	106.2	117.1	11.0	10.2%
Inbound Letter Post	41	36	(5)	(11.2%)	56.5	55.3	(1.0)¢	(2.2%)
Total Other First-Class Mail	**$566**	**$499**	**$(67)**	**(11.9%)**	**19.0¢**	**17.0¢**	**(2.0) ¢**	**(10.5%)**

Source: Postal Service's Product Finances, FY 2023-2024.

USPS Marketing Mail

USPS Marketing Mail Products

- High Density and Saturation (HDS) Letters
- High Density and Saturation (HDS) Flats/Parcels
- Carrier Route
- Letters
- Flats
- Parcels
- Every Door Direct Mail ---Retail (EDDM)

USPS Marketing Mail includes seven products, as shown in the image to the left.

In the following discussions, USPS Marketing Mail products are grouped by shape.

USPS MARKETING MAIL LETTERS SINCE LAST YEAR

Table III-10 summarizes the FY 2024 change in volume and revenue of letter-shaped USPS Marketing Mail.[72] Volume decreased and revenue increased overall, and for each product. These volume and revenue changes were driven by USPS Marketing Mail Letters, which account for about 87 percent of letter-shaped USPS Marketing Mail. For USPS Marketing Mail Letters, volume decreased by 0.7 percent, and it decreased by 1.2 percent for High Density and Saturation Letters. As for revenue, USPS Marketing Mail Letters saw a 4.3 percent increase, and High Density and Saturation Letters saw a 3.8 percent increase. The favorable changes in revenue are very likely due to the two price increases in FY 2024.[73] However, it is not clear whether, or to what extent, they may have contributed to the decline in letter-shaped USPS Marketing Mail volume. Given that general elections years typically boost Marketing Mail volume due to political and election mail, the volume changes shown in Table III-10 are concerning.

Table III-10
USPS Marketing Mail Letters Volume and Revenue, FY 2023 – FY 2024

	Volume (Millions)				Revenue ($ Millions)			
	FY 2023	FY 2024	Change	% Change	FY 2023	FY 2024	$ Change	% Change
Letters	38,126	37,841	(258)	(0.7%)	$9,509	$9,918	$409	4.3%
HDS Letters	5,602	5,536	(66)	(1.2%)	1,143	1,186	43	3.8%
Total Letters	**43,728**	**43,377**	**(351)**	**(0.8%)**	**$10,652**	**$11,104**	**$452**	**4.2%**

Source: Postal Service's Product Finances, FY 2023-2024.

[72] Marketing Mail letters refers to letter-shaped Marketing Mail, which is the sum of the Letters and High Density and Saturation Letters products.
[73] *See generally* Order No. 6814; *see also* Order No. 7155.

Table III-11 summarizes the change in attributable costs for letter-shaped USPS Marketing Mail in FY 2024. Overall, attributable cost decreased by 11.7 percent, with per-piece costs decreasing 11.0 percent. Additionally, total and unit attributable cost decreased for each of USPS Marketing Mail Letters and High Density and Saturation Letters in FY 2024.

Table III-11
USPS Marketing Mail Letters Attributable Cost and Average Unit Attributable Cost
FY 2023 – FY 2024

	Attributable Cost ($ Millions)				Unit Attributable Cost (Cents per Piece)			
	FY 2023	FY 2024	$ Change	% Change	FY 2023	FY 2024	¢ Change	% Change
Letters	$5,281	$4,678	$(603)	(11.4%)	13.9¢	12.4¢	(1.5)	(10.8%)
HDS Letters	618	532	(86)	(14.0%)	11.0	9.6	(1.4)	(13.0%)
Total Letters	**$5,899**	**$5,210**	**$(689)**	**(11.7%)**	**13.5¢**	**12.0¢**	**(1.5)¢**	**(11.0%)**

Source: Postal Service's Product Finances, FY 2023-2024.

Table III-12 below shows changes in unit costs for letter-shaped USPS Marketing Mail by major cost segment. These costs include the direct and indirect attributable costs.

Table III-12
USPS Marketing Mail Letters Unit Attributable Cost by Cost Segment
FY 2023 – FY 2024

Cost segment	HDS Letters (Cents per Piece)			Letters (Cents per Piece)		
	FY 2023	FY 2024	% Change	FY 2023	FY 2024	% Change
Mail Processing	2.5¢	2.7¢	9.5%	5.5¢	5.5¢	(0.8%)
City Carriers	6.1	3.5	(42.3%)	5.4	3.6	(34.1%)
Window Service	0.1	0.1	(13.1%)	0.2	0.2	2.7%
Rural Carriers	2.3	2.9	27.7%	1.5	1.8	22.2%
Transportation	0.3	0.5	53.5%	0.6	0.6	(6.5%)

Source: PCRA Report, FY 2023-2024; NOS Piggyback Factors, FY 2023-2024.

City carrier costs for both letter categories decreased, as expected from the implementation of new city carrier costing methodology.[74] Rural carrier unit costs for both letter categories increased substantially, significantly surpassing the anticipated impact of the new rural

[74] *See generally* Order No. 7411; *see also* Bradley Report at 121.

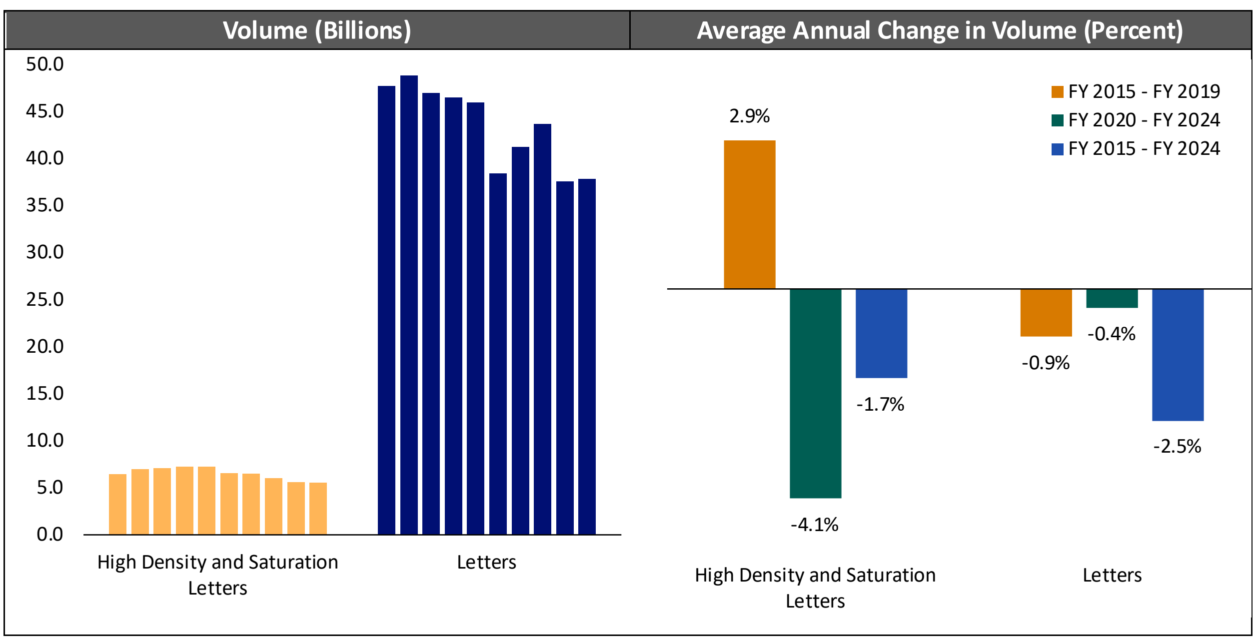
carrier costing methodology.[75] The unit cost for contracted transportation services for High Density and Saturation Letters also increased, by 53.5 percent.

Mail processing cost for High Density and Saturation Letters mailpieces increased 9.5 percent in FY 2024. Despite unit cost increases on mail processing, rural carriers, and transportation, total unit attributable cost for High Density and Saturation Letters decreased by 13.0 percent in FY 2024 (*see* Table III-11 above), due to the significant reduction in unit city carrier cost. Similarly for USPS Marketing Mail Letters, the 22.2 percent unit cost increase for rural carriers did not outweigh the 34.1 percent reduction in city carrier cost per mailpiece, and the total attributable cost per piece declined by 10.8 percent for the product (*see* Table III-11 above).

USPS MARKETING MAIL LETTERS IN THE LAST DECADE

As shown in Figure III-22, USPS Marketing Mail Letters experienced substantial volume declines in the first half of the last decade compared to the second half (*i.e.*, since FY 2020). For High Density and Saturation Letters, an average annual volume increase of about 2.9 percent in the first five years was followed by an average annual decline of 4.1 percent since FY 2020.

Figure III-22
USPS Marketing Mail Letters Volume (Billions) and Average Annual Volume Change (Percent)
FY 2015 – FY 2024

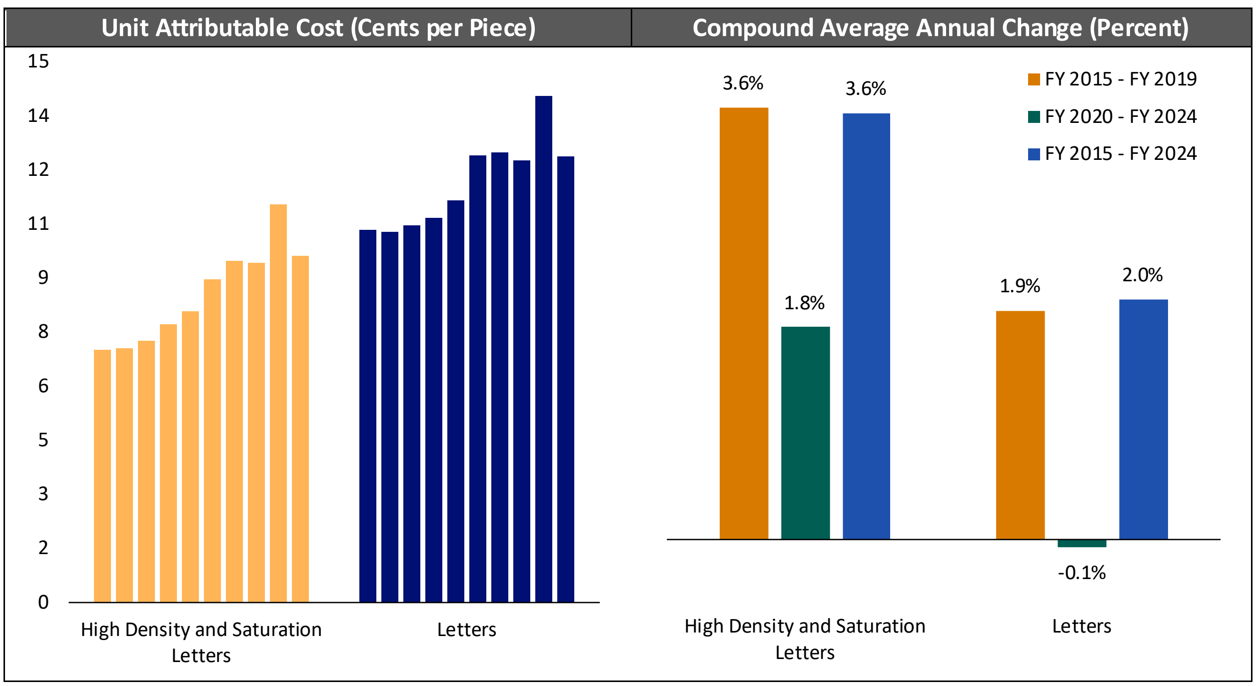


Source: Postal Service's Product Finances, FY 2015-2024.

[75] *See* Order No. 7049 at 35; *see also* Bradley Study at 136.

Figure III-23 shows the trends in average unit attributable costs for USPS Marketing Mail letters since FY 2015. Average unit attributable cost for High Density and Saturation Letters and USPS Marketing Mail Letters have been climbing throughout the last decade, although the rate of unit cost increases has slowed down. Unit costs for High Density and Saturation Letters increased by 1.8 percent annually over the last five years, down from a 3.6 percent average annual increase in the prior five years. For USPS Marketing Mail Letters, average unit attributable cost decreased by an average of 0.1 percent per year over the last 5 years. However, since FY 2020, unit cost changes for both categories of letters have been quite turbulent, with large unit cost increases followed by sizeable decreases.

Figure III-23
Unit Attributable Cost and Average Annual Change in Unit Cost for USPS Marketing Mail Letters, FY 2015 – FY 2024



Source: Postal Service's Product Finances, FY 2015-2024.

USPS MARKETING MAIL FLATS SINCE LAST YEAR

Table III-13 summarizes the changes in volume and revenue for flat-shaped USPS Marketing Mail from FY 2023.[76] Volume for all flat-shaped USPS Marketing Mail other than EDDM-Retail declined in FY 2024. USPS Marketing Mail High Density and Saturation Flats/Parcels volume was 723 million pieces (or 8.1 percent) below its FY 2023 level,

[76] Some products include parcels; however, those products contain predominantly flat-shaped mailpieces.

Carrier Route lost 566 million mailpieces (or 14.1 percent), and USPS Marketing Mail Flats lost 291 million mailpieces (or 13.1 percent) in FY 2024. Only EDDM-Retail volume increased in FY 2024, by 28 million mailpieces, or 5.0 percent.

For each flat-shaped product for which volume declined in FY 2024, revenue declined as well, although less severely, likely due to price increases in January and July 2024.[77] For EDDM-Retail, the 5 percent volume increase was accompanied by a 13.3 percent increase in revenue.

Table III-13
USPS Marketing Mail Flats Volume and Revenue, FY 2023 – FY 2024

	Volume (Millions)				Revenue ($ Millions)			
	FY 2023	FY 2024	Change	% Change	FY 2023	FY 2024	$ Change	% Change
HDS Flats/Parcels	8,887	8,165	(723)	(8.1%)	$1,782	$1,685	$(97)	(5.4%)
Carrier Route	4,025	3,459	(566)	(14.1%)	1,336	1,290	(46)	(3.5%)
Flats	2,228	1,937	(291)	(13.1%)	1,205	1,185	(20)	(1.7%)
EDDM - Retail	556	583	28	5.0%	106	120	14	13.3%
Total Flats	**15,695**	**14,144**	**(1,552)**	**(9.9%)**	**$4,429**	**$4,280**	**$(149)**	**(3.4%)**

Source: Postal Service's Product Finances, FY 2023-2024.

[77] *See generally*, Order No. 6814; *see also* Order No. 7155.

Table III-14 shows latest fiscal year changes in attributable costs for USPS Marketing Mail flats. The data in the table indicate that attributable costs declined in FY 2024 for each flat-shaped USPS Marketing Mail product, both in aggregate and on a unit basis. While on a unit basis, attributable cost reductions were more modest, they were nevertheless of large magnitude.

Table III-14
USPS Marketing Mail Flats Attributable Cost and Average Unit Attributable Cost
FY 2023 – FY 2024

	Attributable Cost ($ Millions)				Unit Attributable Cost (Cents per Piece)			
	FY 2023	FY 2024	$ Change	% Change	FY 2023	FY 2024	¢ Change	% Change
HDS Flats/Parcels	$1,452	$1,072	$(381)	(26.2%)	16.3¢	13.1¢	(3.2)¢	(19.7%)
Carrier Route	1,354	952	(402)	(29.7%)	33.6	27.5	(6.1)	(18.2%)
Flats	1,868	1,553	(315)	(16.9%)	83.8	80.2	(3.7)	(4.4%)
EDDM - Retail	49	40	(9)	(18.3%)	8.9	6.9	(2.0)	(22.2%)
Total Flats	**$4,723**	**$3,617**	**$(1,106)**	**(23.4%)**	**30.1¢**	**25.6¢**	**(4.5)¢**	**(15.0%)**

Source: Postal Service's Product Finances, FY 2023-2024.

Table III-15 summarizes FY 2024 changes in Marketing Mail flats' attributable costs for major cost segments. The data suggest that unit city carrier cost decreased for every Marketing Mail flat-shaped product in FY 2024, contrasting with unit cost increases in the prior year, which ranged from 14.0 percent (for Carrier Route) to 19.7 percent (for EDDM – R). City carrier costs were expected to decrease by about 32.3 percent per USPS Marketing Mail mailpiece following the implementation of the new city carrier costing methodology.[78]

Unit rural carrier costs decreased for three of the four Marketing Mail flats products in FY 2024, EDDM-Retail being the exception. These followed unit cost increases in FY 2023, which ranged from 14.6 percent (for High Density and Saturation Flats/Parcels) to 29.6 percent (for USPS Marketing Mail Flats). Rural carrier costs were expected to decrease from the implementation of the new rural carrier costing methodology for High Density and Saturation Flats/Parcels, Carrier Route, and USPS Marketing Mail Flats, and they were expected to increase for EDDM -Retail. However, the 20.0 percent decrease for Carrier Route far surpasses the expected unit cost decrease of about 3.9 percent, as does the 20.9 percent unit cost decrease for USPS Marketing Mail Flats, compared to the expected about 1.7 percent decrease.[79] Similarly, the 51.1 percent increase in unit rural carrier cost for

[78] *See generally* Order No. 7411; *see also* Bradley Report at 121.
[79] *See* Bradley Study at 136.

EDDM – Retail far exceeds the anticipated unit cost increase of about 3.3 percent for the product.[80]

Most Marketing Mail flats products also saw unit transportation cost decreases in FY 2024. As for mail processing, unit costs decreased for High Density and Saturation Flats/Parcels and Carrier Route flats, but increased for the costliest of the USPS Marketing Mail flats products – USPS Marketing Mail Flats, and for EDDM - Retail.

It is not clear to what extent unit attributable cost decreases for Marketing Mail flats products in FY 2024 are associated with changes in costing methodology for city and rural carriers, and to what extent, if any, they are associated with improved operational efficiencies associated with multitude of initiatives that the Postal Service has been pursuing for flats products.[81]

Table III-15
Change in USPS Marketing Mail Flats Unit Attributable Cost by Cost Segment (Cents per Piece)
FY 2023 – FY 2024

Cost segment	HDS Flats/Parcels			Carrier Route			Flats			EDDM - Retail		
	FY 2023	FY 2024	% Change	FY 2023	FY 2024	% Change	FY 2023	FY 2024	% Change	FY 2023	FY 2024	% Change
Mail Processing	1.4	1.2	(19.1%)	8.4	8.2	(3.0%)	45.4	47.1	3.7%	0.2	0.4	107.6%
City Carriers	7.7	4.9	(35.9%)	15.2	11.3	(26.0%)	20.6	17.5	(15.1%)	7.4	4.8	(34.8%)
Rural Carriers	6.0	5.7	(5.4%)	7.3	5.9	(20.0%)	7.4	5.9	(20.9%)	0.9	1.3	51.1%
Transportation	0.4	0.3	(20.3%)	1.7	1.3	(20.8%)	8.0	7.1	(11.7%)	0.0	0.0	17.1%

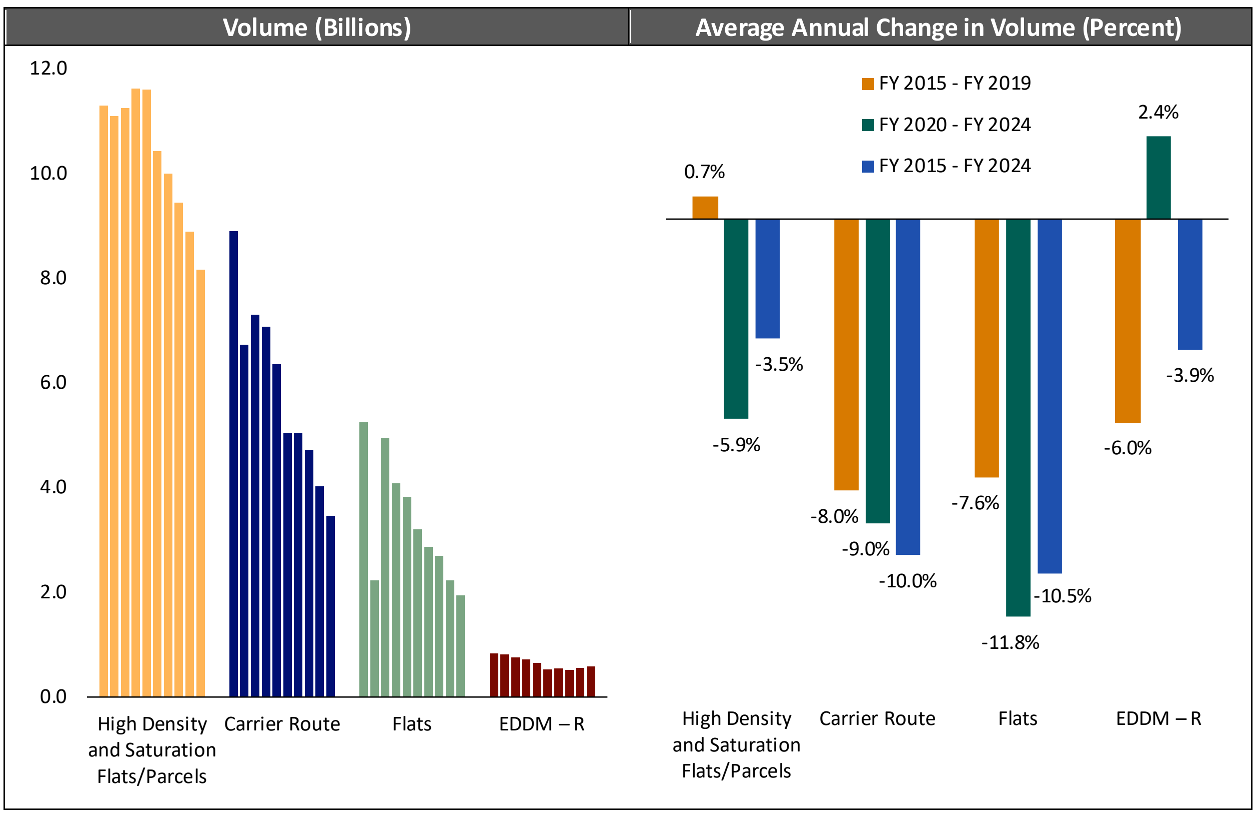
Source: PCRA Report, FY 2023-2024; NOS Piggyback Factors, FY 2023-2024.

[80] *Id*.
[81] *See*, *e.g.*, Docket No. SS2022-1, Order on Postal Service Flats Plan, December 27, 2024, at 7-20.

USPS MARKETING MAIL FLATS IN THE LAST DECADE

Flat-shaped USPS Marketing Mail has lost nearly half (46.2 percent) of its volume over the course of the last decade. As shown in Figure III-24, Carrier Route and USPS Marketing Mail Flats volume losses were more severe than they were for the other two Marketing Mail flats products, averaging at 10.0 percent and 10.5 percent per year, respectively. More concerningly, the rate of volume decline has accelerated for these two flats products in the second half of the last decade. For High Density and Saturation Flats/Parcels, volume increases in the first half of the decade of about 0.7 percent per year, on average, were followed by almost 6 percent volume declines per year in the second half.[82]

Figure III-24
USPS Marketing Mail Flats Volume (Billions) and Average Annual Volume Change (Percent)
FY 2015 – FY 2024

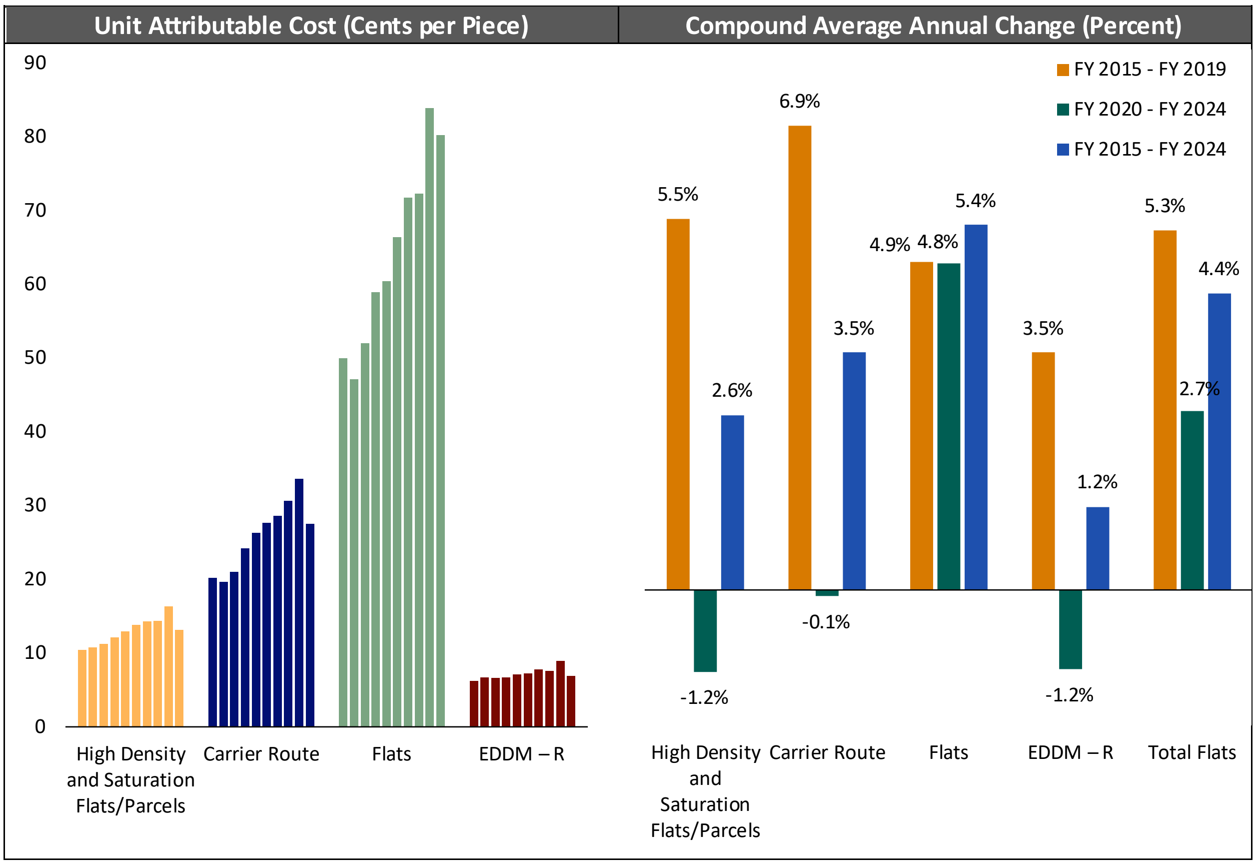


Source: Postal Service's Product Finances, FY 2015-2024.

[82] Large volume changes in FY 2016 and FY 2017 were due in large part to changes to the pricing structure of the Flats and Carrier Route products. *See* Docket No. ACR2017, *Financial Analysis of United States Postal Service Financial Results and 10-K Statement*, April 5, 2018, at 53-54.

The average unit attributable cost has increased persistently for each flat-shaped USPS Marketing Mail product in almost each of the last ten years. In FY 2024, however, unit cost for each product decreased. Figure III-25 shows Marketing Mail flat-shaped products' unit attributable costs in FYs 2015 through 2024, and percentage changes in unit costs, averaged over the first and the last five years of the last decade, as well as for the entire ten-year period.

Figure III-25
Unit Attributable Cost and Average Annual Change in Unit Cost for USPS Marketing Mail Flats FY 2015 – FY 2024



Source: Postal Service's Product Finances, FY 2015-2024.

The data in the figure above suggest that USPS Marketing Mail Flats was the only product for which unit cost increases in the first half of the last decade continued at about the same pace in the second half of the decade.

Periodicals

The Periodicals class includes two products: In-County Periodicals and Outside County Periodicals. The In-County Periodicals product is typically used by newspapers with smaller weekly circulations for distribution within the county of publication. Publications entered within the county of publication but distributed outside of it, on postal carrier routes, are also classified as In-County Periodicals. All Periodicals mail that does not qualify as In-County falls under the Outside County Periodicals product. Outside County Periodicals consist of publications with a wide variety of circulation sizes, distribution patterns, and frequencies. Outside County Periodicals also include Nonprofit, Classroom, and Science of Agriculture publications, which qualify for certain discounts.

PERIODICALS SINCE LAST YEAR

Table III-16 summarizes the changes in volume and revenue for Periodicals since FY 2023. Total Periodicals volume declined by 247 million pieces, representing an 8.2 percent decline. This decline was driven solely by the decline in volume for Outside County Periodicals (11 percent). Conversely, In-County Periodicals volume exceeded its FY 2023 level by 7.0 percent.

FY 2024 revenue changes for Periodicals were more favorable for the Postal Service's financial position. The 8.2 percent decline in volume for the mail class was accompanied by a revenue decrease of only 1.1 percent. Similarly, the 11.0 percent decrease in Outside County volume was accompanied by a 2.7 percent decrease in the product's revenue. For In-County Periodicals, the 7.0 percent increase in volume has been accompanied by a 20.8 percent increase in revenue.

Table III-16
Periodicals Volume and Revenue, FY 2023 – FY 2024

	Volume (Millions)				Revenue ($ Millions)			
	FY 2023	FY 2024	Change	% Change	FY 2023	FY 2024	$ Change	% Change
In-County	452	483	31	7.0%	$60	$73	$13	20.8%
Outside County	2,541	2,263	(278)	(11.0%)	862	839	(23)	(2.7%)
Total Periodicals	**2,993**	**2,746**	**(247)**	**(8.2%)**	**$923**	**$912**	**$(11)**	**(1.1%)**

Source: Postal Service's Product Finances, FY 2023-2024.

Table III-17 compares total attributable cost and average unit attributable cost for Periodicals for FY 2023 and FY 2024. The total attributable cost for Periodicals decreased by $286 million, which represents an 18.6 percent decrease. Both In-County and Outside County attributable costs declined considerably (by 15.0 percent and 19.0 percent, respectively). On a unit basis, Outside County saw a 9.0 percent decrease in attributable cost; for In-County Periodicals, unit cost decreased by 20.5 percent in FY 2024.

Table III-17
Periodicals Attributable Cost and Average Unit Attributable Cost, FY 2023 – FY 2024

	Attributable Cost ($ Millions)				Unit Attributable Cost (Cents per Piece)			
	FY 2023	FY 2024	Change	% Change	FY 2023	FY 2024	¢ Change	% Change
In-County	$105	$90	$(16)	(15.0%)	23.3¢	18.5¢	(4.8)¢	(20.5%)
Outside County	1,431	1,159	(271)	(19.0%)	56.3	51.2	(5.1)	(9.0%)
Total Periodicals	**$1,536**	**$1,250**	**$(286)**	**(18.6%)**	**51.3¢**	**45.5¢**	**(5.8)¢**	**(11.3%)**

Source: Postal Service's Product Finances, FY 2023-2024.

Table III-18 includes data on average unit attributable cost for Outside County Periodicals disaggregated into major cost segments. As shown in Table III-18, the average city and rural carrier unit costs decreased as anticipated from the implementation of new costing methodologies for city and rural carrier costs.[83]

Table III-18
Outside County Periodicals Unit Attributable Cost by Cost Segment (Cents per Piece) FY 2023 – FY 2024

Cost Segment	FY 2023	FY 2024	% Change
Mail Processing	23.4	23.1	(1.1%)
City Carriers	16.2	14.0	(13.8%)
Rural Carriers	7.9	6.5	(18.2%)
Transportation	7.0	5.8	(17.2%)

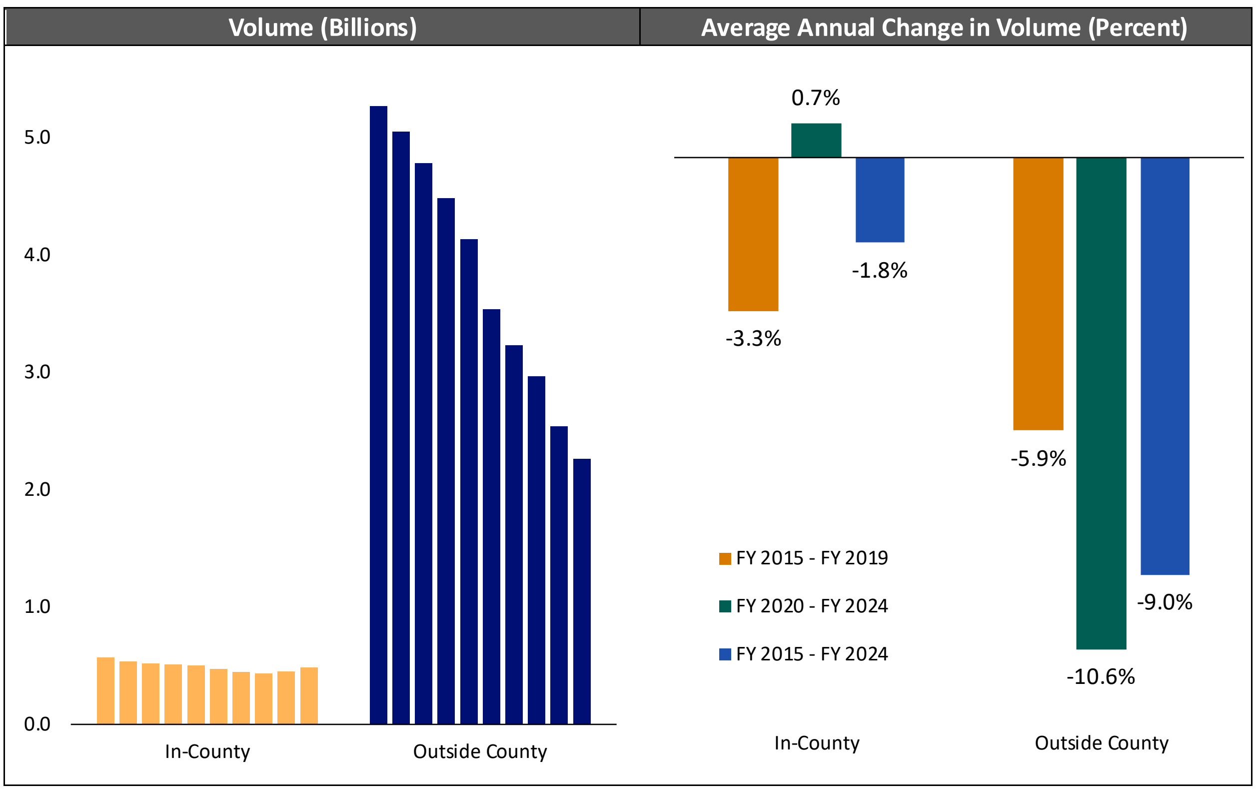
Source: PCRA Report, FY 2023-2024; NOS Piggyback Factors, FY 2023-2024.

[83] *See generally*, Order No. 7049; *see also* Order No. 7411.

PERIODICALS IN THE LAST DECADE

Figure III-26 includes data on Periodicals volume in the last ten years. The figure shows that despite the availability of electronic alternatives, the decline in the first half of the last decade of about 3.3 percent per year for In-County Periodicals volume reversed in the second half of the decade, when the product's volume increased by an average of about 0.7 percent per year. For Outside County Periodicals, volume decline accelerated from about 5.9 percent per year between FY 2015 and FY 2019, to about 10.6 percent between FY 2020 and FY 2024. The total volume for the Periodicals mail class decreased by 53.0 percent, or about 8.0 percent annually, over the last decade.

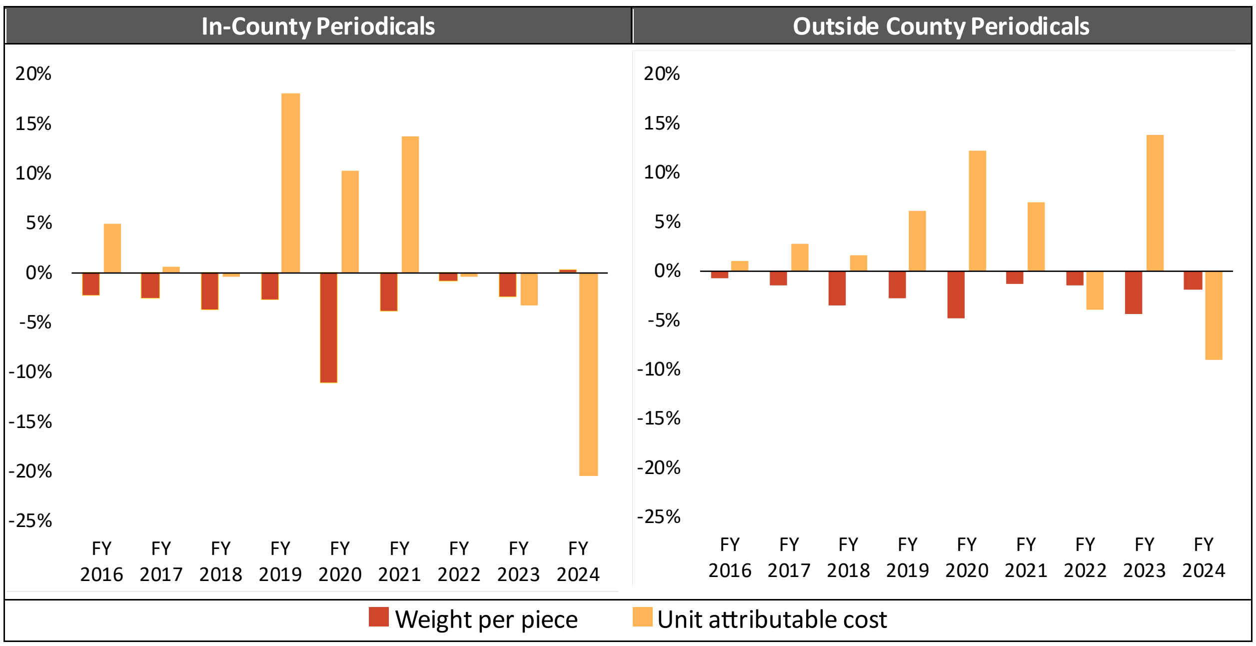
Figure III-26
Periodicals Volume (Billions) and Average Annual Volume Change (Percent)
FY 2015 – FY 2024



Source: Postal Service's Product Finances, FY 2015-2024.

Figure III-27 shows annual percentage changes in weight and attributable costs for In-County and Outside County Periodicals mailpieces over the last ten years. In most years, unit attributable costs for both products increased. However, in FY 2024, unit attributable costs decreased by 20.5 percent for In-County Periodicals, and by 9.0 percent for Outside County Periodicals. The data in the figure do not suggest direct correlation between unit costs and average mailpiece weight for the two Periodicals products, which have historically not been able to recover attributable costs from the products' revenues.

Figure III-27
Annual Change in Unit Weight and Unit Attributable Cost for Periodicals (Percent)
FY 2015 – FY 2024



Source: Postal Service's Product Finances, FY 2015-2024.

Package Services

The Package Services class consists of four products: Alaska Bypass Service, Bound Printed Matter (BPM) Flats, BPM Parcels, and Media Mail/Library Mail. On December 20, 2024, the Postal Service requested the removal of BPM Flats and BPM Parcels from the Market Dominant Product list. The BPM Removal Request is currently under review by the Commission.

Table III-19 summarizes changes in volume and revenue for the four Package Services products, and for the mail class between FY 2023 and FY 2024. Overall, Package Services volume decreased by 2.0 percent in FY 2024. Of the four products, volume increased for BPM Flats and decreased for the remaining three products, with Media Mail/Library Mail seeing the largest (10.7 percent) decline in volume.

Only one product, Alaska Bypass, recorded lower revenue in FY 2024 than in FY 2023. Revenue for Package Services products in total increased by 1.4 percent, despite the 2.0 decrease in total Package Services volume. This is likely due to the price changes implemented in January and July, when average price for the Package Services mail class increased by 1.960 percent and 7.755 percent, respectively.[84]

Table III-19
Package Services Volume and Revenue, FY 2023 – FY 2024

	Volume (Millions)				Revenue ($ Millions)			
	FY 2023	FY 2024	Change	% Change	FY 2023	FY 2024	$ Change	% Change
Alaska Bypass	1	1	0	(7.5%)	$39	$38	$(1)	(2.1%)
BPM Flats	115	119	4	3.6%	108	109	2	1.6%
BPM Parcels	226	224	(3)	(1.2%)	317	328	11	3.4%
Media Mail/Library Mail	92	82	(10)	(10.7%)	429	430	1	0.2%
Total Package Services	**435**	**426**	**(9)**	**(2.0%)**	**$894**	**$906**	**$13**	**1.4%**

Source: Postal Service's Product Finances, FY 2023-2024.

Table III-20 presents the attributable costs of Package Services products and the mail class. Total attributable cost decreased by $91 million, or 10.4 percent, for the class. Of the four products, attributable cost declined for BPM Flats and Media/Library Mail, and it increased for Alaska Bypass and BPM Parcels.

In FY 2024, Alaska Bypass Service cost, which consists entirely of Cost Segment 14 cost (purchased transportation), increased by 18.3 percent. This is despite volume for the product decreasing by 7.5 percent. On a unit basis, the cost increase for the product was even more substantial (27.9 percent). Similarly, attributable cost of BPM Parcels increased 21.9 percent in aggregate, while volume for the product decreased 1.2 percent since FY 2023. On a per-piece basis, the attributable cost increase for BPM Parcels was even higher

[84] *See* Order No. 6814 at 54; *see also* Order No. 7155 at 96.

(23.3 percent). Only Media/Library Mail and BPM Flats saw decreases in unit attributable costs in FY 2024 (by 22.3 percent and 12.5 percent, respectively).

Table III-20
Package Services Attributable Cost and Average Unit Attributable Cost
FY 2023 – FY 2024

	Attributable Cost ($ Millions)				Unit Attributable Cost (Cents per Piece)			
	FY 2023	FY 2024	$ Change	% Change	FY 2023	FY 2024	¢ Change	% Change
Alaska Bypass	$33	$38	$6	18.3%	2,598¢	3,322¢	724¢	27.9%
BPM Flats	95	86	(9)	(9.4%)	83	72	(10)	(12.5%)
BPM Parcels	267	325	$58	21.9%	118	145	28	23.3%
Media/Library Mail	478	332	$(146)	(30.6%)	518	403	(116)	(22.3%)
Total	**$873**	**$782**	**$(91)**	**(10.4%)**	**201¢**	**184¢**	**(17)¢**	**(8.6%)**

Source: Postal Service's Product Finances, FY 2023-2024.

Table III-21 shows the FY 2024 percentage change in unit attributable cost for selected cost segments. Transportation is the only segment where unit cost for BPM Flats, BPM Parcels, and Media/Library Mail declined in FY 2024. City carrier unit cost increased substantially for BPM Parcels and Media/Library Mail, and decreased only for BPM Flats. This is consistent with the anticipated impact of the new city carrier costing methodology implemented in FY 2024.[85] Similarly, rural carrier unit cost changed as anticipated (*i.e.*, it increased for parcel-shaped products and decreased for BPM Flats); however, unit cost increases for BPM Parcels and Media/Library Mail were much more substantial than anticipated.[86]

Mail processing unit costs declined markedly for Media/Library Mail (by 37.7 percent), the costliest of the three Package Services products in terms of mail processing. The Postal Service explains that it has "reorganized the transportation and sortation" of the product, further indicating that this reorganization has improved mailers' compliance with mail preparation standards, which has also contributed to "significant reductions" in product's volume transported by air.[87]

[85] *See* Bradley Report at 121.
[86] *See* Bradley Study at 136; *see also* Order No. 7049 at 35.
[87] FY 2024 ACR at 26-27.

Table III-21
Package Services Unit Attributable Cost by Cost Segment, FY 2023 – FY 2024

Cost segment	BPM Flats (Cents per Piece)			BPM Parcels (Cents per Piece)			Media/Library Mail (Cents per Piece)		
	FY 2023	FY 2024	% Change	FY 2023	FY 2024	% Change	FY 2023	FY 2024	% Change
Mail Processing	41.2₵	36.6₵	(11.3%)	43.7₵	46.1₵	5.4%	216.8₵	135.0₵	(37.7%)
City Carriers	22.0	18.2	(17.2%)	36.2	45.9	26.8%	41.2	53.0	28.7%
Window Service	0.1	0.2	111.8%	0.7	0.5	(21.7%)	19.5	23.8	22.0%
Rural Carriers	6.5	6.0	(8.2%)	19.4	36.2	86.6%	19.6	33.6	71.4%
Transportation	9.5	8.1	(14.7%)	13.8	11.3	(18.4%)	187.2	133.2	(28.9%)
Vehicle Service Drivers	2.5	2.3	(6.5%)	1.8	3.0	66.2%	24.6	14.0	(43.2%)

Source: PCRA Report, FY 2023-2024; NOS Piggyback Factors, FY 2023-2024.

Market Dominant Special Services

Special Services Products

1. Address Management Services (*See* MCS Section 1515)
2. Caller Services
3. Credit Card Authentication
4. International Reply Coupon Service
5. International Business Reply Mail Service
6. Money Orders
7. Post Office Box Service
8. Stamp Fulfillment Services
9. International Ancillary Services
   a. International Certificate of Mailing
   b. International Registered Mail
   c. International Return Receipt
   d. Customs Clearance and Delivery Fee
10. Ancillary Services
   a. Address Correction Service
   b. Applications and Mailing Permits
   c. Business Reply Mail
   d. Bulk Percel Return Service
   e. Certified Mail
   f. Certificate of Mailing
   g. Collect on Delivery
   h. USPS Tracking
   i. Insurance
   j. Parcel Airlift (PAL)
   k. Registered Mail
   l. Return Receipt
   m. Shipper-Paid Forwarding/Return
   n. Signature Confirmation
   o. Stamped Envelopes
   p. Stamped Cards
   q. Premium Stamped Stationery
   r. Premium Stamped Cards

The Special Services class consists of 10 products: seven domestic products and three international products.

Three Special Services products: Ancillary Services, Address Management Services, and International Ancillary Services, include a number of distinct services, as depicted in the graphic on the left.

Table III-22 shows that total revenue for Special Services increased by $120 million since FY 2023. Revenue decreased only for Insurance and Registered Mail, both of which are services offered under the Ancillary Services product.

Table III-22
Market Dominant Special Services Revenue, FY 2023 – FY 2024

Product	Services	Revenue ($ Millions)			
		FY 2023	FY 2024	$ Change	% Change
Ancillary Services	Certified Mail	$652	$709	$56	8.6%
	COD	4	5	1	22.3%
	Insurance	69	56	(12)	(18.1%)
	Registered Mail	21	20	(1)	(7.0%)
	Stamped Envelopes & Cards	12	14	1	10.0%
	Other Ancillary Services	393	433	40	10.2%
Money Orders		220	235	15	6.8%
Post Office Box		322	336	14	4.3%
Other Special Services products		181	187	6	3.5%
Total Special Services		**$1,875**	**$1,995**	**$120**	**6.4%**

Source: Postal Service's Product Finances, FY 2023-2024.

Table III-23 shows that attributable cost for Special Services decreased by $285 million in FY 2024. The most significant decline appears to be for Certified Mail and Other Ancillary Services, from within the Ancillary Services product.

Table III-23
Market Dominant Special Services Attributable Cost, FY 2023 – FY 2024

Product	Services	Attributable Cost ($ Millions)			
		FY 2023	FY 2024	$ Change	% Change
Ancillary Services	Certified Mail	$455	$285	$(169)	(37.3%)
	COD	4	3	(1)	(25.0%)
	Insurance	25	17	(8)	(33.0%)
	Registered Mail	17	14	(3)	(16.0%)
	Stamped Envelopes & Cards	8	11	3	40.9%
	Other Ancillary Services	277	175	(103)	(37.0%)
Money Orders		166	166	1	0.3%
Post Office Box		139	144	5	3.6%
Other Special Services products		40	37	(3)	(7.7%)
Total Special Services		**$1,150**	**$865**	**$(285)**	**(24.8%)**

Source: Postal Service's Product Finances, FY 2023-2024.

Competitive Volume, Revenue, and Cost Trends by Product

Competitive Products

- **Subject to Contracted Prices**
  - **Domestic**
    - Domestic NSAs
  - **International**
    - Outbound International NSAs
    - Inbound International NSAs
- **Subject to Prices of General Applicability**
  - **Domestic**
    - Priority Mail Express
    - Priority Mail
    - Parcel Select
    - Parcel Return Service
    - USPS Ground Advantage
  - **International**
    - Outbound International Expedited Services
    - Inbound Parcel Post (at UPU rates)
    - Outbound Priority Mail International
    - International Priority Airmail
    - International Surface Air Lift
    - International Direct Sacks-Airmail M-Bags
    - Inbound Single-Piece First-Class Package International Service
    - Outbound Letter Post Small Packets and Bulky Letters

Competitive products consist of domestic and international products. Competitive products are further categorized based on whether they are subject to generally applicable or contracted prices, shown in the graphic on the left. Competitive products subject to negotiated prices pertain to Negotiated Service Agreements (NSAs).

The Postal Service maintained 1,205 domestic and 252 international competitive NSAs in FY 2024.[88]

The Postal Service also offers special services, some of which can be purchased on a stand-alone basis, while others provide services that are ancillary to the delivery of underlying mailpieces. Special services that constitute Competitive products are summarized in the graphic below.

Domestic

- Address Enhancement Services
- Greeting Cards, Gift Cards, and Stationery
- Premium Forwarding Service
- Shipping and Mailing Supplies
- Post Office Box Service
- Competitive Ancillary Services

International

- International Ancillary Services
- International Money Transfer Service - Inbound*

*The Commission has conditionally approved removal of the International Money Transfer Service– Inbound product from Mail Classification Schedule effective on October 1, 2025. *See* Docket No. MC2024413, 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).

[88] FY 2024 ACD at 43, 48.

Changes Since Last Year

Table III-24 summarizes changes in volume, revenue, and attributable cost between FY 2023 and FY 2024 for five groups of Competitive products.

Table III-24
Competitive Products Volume, Revenue, and Attributable Cost, FY 2023 – FY 2024

	Mail Volume (Millions)			Mail Revenue ($ Millions)			Attributable Cost ($ Millions)		
	FY 2023	FY 2024	% Change	FY 2023	FY 2024	% Change	FY 2023	FY 2024	% Change
Priority Mail Express	24	21	(12.4%)	$714	$642	(10.1%)	$311	$291	(6.6%)
Priority Mail	1,058	698	(34.0%)	$10,807	$7,106	(34.2%)	$8,125	$5,762	(29.1%)
Ground Parcels*	5,519	6,088	10.3%	$19,167	$23,549	22.9%	$10,684	$15,745	47.4%
International	150	135	(10.3%)	$1,331	$1,217	(8.6%)	$1,120	$886	(20.9%)
Domestic Services	-	-	-	$1,330	$1,324	(0.5%)	$370	$349	(5.8%)
Total Competitive	**6,751**	**6,942**	**2.8%**	**$33,350**	**$33,838**	**1.5%**	**$21,183**	**$23,696**	**11.9%**

* Percent change in Ground Parcels volume, revenue, and cost calculated as: $\frac{Ground\ Parcels\ value\ in\ FY\ 2024}{(Ground\ Parcels + FCPS\ value\ in\ FY\ 2023)}$

Source: Postal Service's Product Finances, FY 2023-2024.

FY 2024 data show that last year's 2.0 percent decline in total Competitive volume reversed, with a 2.8 percent increase. However, volume declined significantly for Priority Mail (by 34.0 percent), Priority Mail Express (by 12.4 percent), and International products (by 10.3 percent). The Postal Service reported growth only in Ground Parcels' volumes,[89] which "more than offset" the declines in expedited products' volumes.[90] Considering comparable size and weight limits and service standards of Priority Mail and USPS Ground Advantage, the FY 2024 increase in Ground Parcels may reflect the migration of some Priority Mail volume to the USPS Ground Advantage product.

Competitive mail revenue for the five groups of Competitive products included in Table III-24 generally tracked changes in volume, with the exception of Ground Parcels. For Ground Parcels, the 10.3 percent increase in volume was accompanied by a 22.9 percent increase in revenue. Total revenue for all Competitive products combined increased by only 1.5 percent.

Total attributable costs for Competitive products increased by 11.9 percent between FYs 2023 and 2024, driven by a 47.4 percent increase in the attributable cost of Ground Parcels. The Postal Service ascribes last year's increase in the attributable cost of

[89] USPS Ground Advantage, Parcel Select, and Parcel Return Service. FY 2024 ACR at 7.
[90] Priority Mail and Priority Mail Express. FY 2024 ACR at 7.

Competitive products to inflation and changes in methodologies for city and rural carrier costing that were approved in FY 2024.[91] However, on a per-piece basis, cost increases for Priority Mail and Priority Mail Express were much milder (7.5 percent and 6.7 percent, respectively) than for Ground Parcels (33.6 percent), which suggests that factors other than inflation and costing methodology played a role.

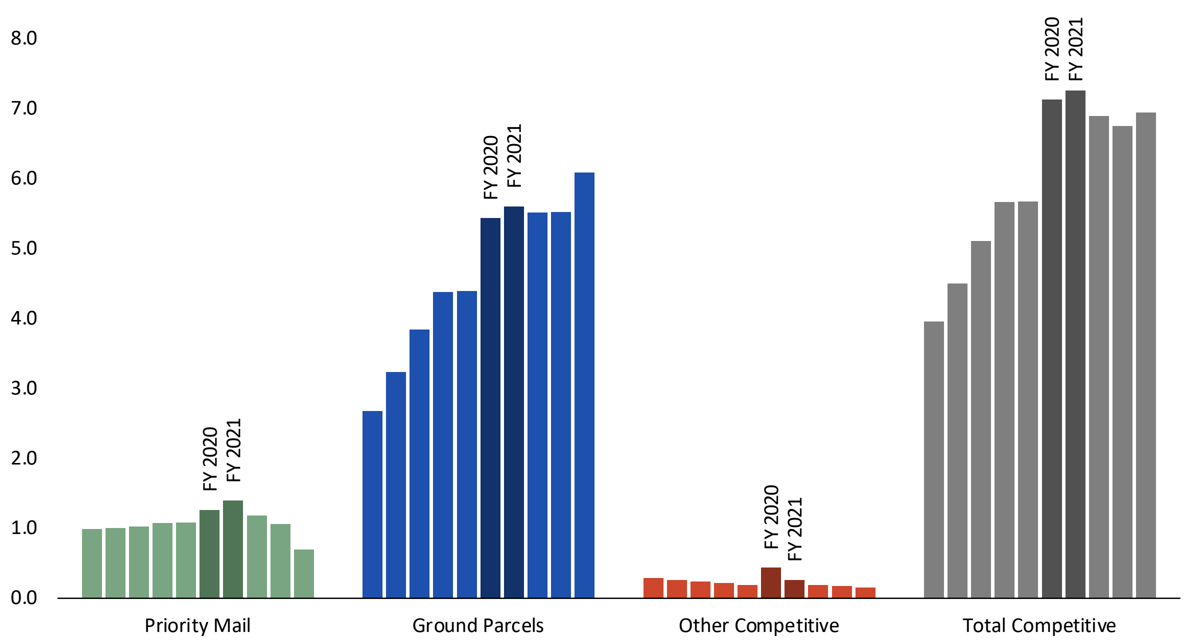
The substantially higher increase in cost than in revenue resulted in a 16.6 percent decrease in Competitive products' contribution to institutional costs, from $12.2 billion in FY 2023 to $10.1 billion in FY 2024, or from a 32.1 percent to 23.4 percent contribution to institutional costs of the Postal Service.[92]

Changes in the Last Decade

MAIL VOLUME

The first five years of the last decade saw Competitive volume increases, followed by declines or stagnation in the last five years, and remaining below the COVID-19 pandemic peak levels of FY 2020 – FY 2021, as shown in Figure III-28 below.

Figure III-28
Competitive Volume (Billions) by Category, FY 2015 – FY 2024



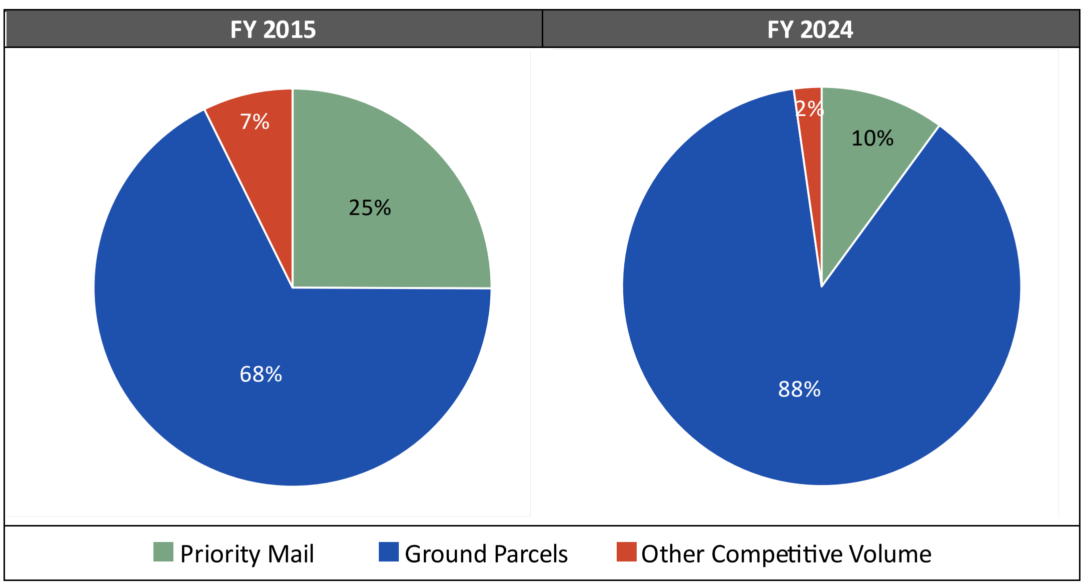
Source: Postal Service's Product Finances, FY 2015-2024.

[91] FY 2024 ACR at 8, n. 20. *See* Order No. 7411 at 23; *see also* Order No. 7049 at 33.
[92] FY 2024 ACR at 8.

Figure III-28 above highlights that FYs 2020 and 2021 were turning points for Priority Mail and other Competitive mail (including Priority Mail Express and international products' volumes), when these volumes began to decline steadily. Ground Parcels volume, while experiencing similar declines in FYs 2022 and 2023, increased by 10.3 percent in FY 2024, exceeding the highest volume level in the last ten years (FY 2021) by 8.7 percent. FY 2024 was the first full Fiscal Year since the launch of the USPS Ground Advantage product, which is included in the Ground Parcels category. [93] As noted above, considering the comparability of the size and weight limits and service standards of Priority Mail and USPS Ground Advantage, the FY 2024 increase in Ground Parcels may reflect the migration of some Priority Mail volume to the USPS Ground Advantage product.

Changes in Competitive mail volumes for the five Competitive product categories included in Table III-24 that occurred over the last 10 years have changed the composition of Competitive mail volume. Most notable is the reduction in the proportion of Priority Mail volume and the increase in the proportion of Ground Parcels, shown in Figure III-29 below.

Figure III-29
Competitive Mail Volume Make-Up, FY 2015 and FY 2024



Source: Postal Service's Product Finances, FY 2015 and FY 2024.

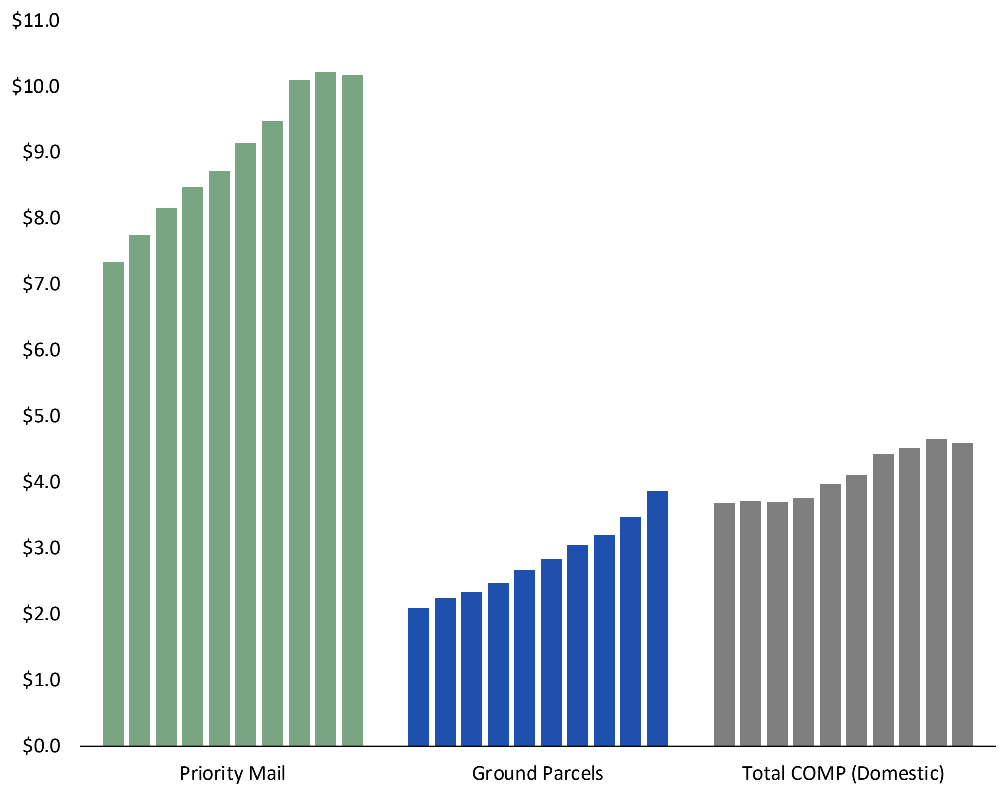
[93] Ground Parcels include the following products for FY 2024: Parcel Select, Parcel Return Service, and USPS Ground Advantage. For FY 2015 through July 2023, Ground Parcels also included Parcel Select Ground and Retail Ground products, which were merged into the newly established USPS Ground Advantage product. For the purpose of the instant discussion, the Commission includes First-Class Package Service volume for FY 2015 – FY 2023 in the Ground Parcels category, since First-Class Package Service product has been merged with Retail Ground and Parcel Select Ground products when the Postal Service established the USPS Ground Advantage product in July of 2023.

While Priority Mail volume accounted for a quarter of total Competitive volume at the beginning of the last decade, it accounted for only 10 percent of Competitive mail by FY 2024. On the other hand, Ground Parcels accounted for 88 percent of total Competitive volume in FY 2024, up from 68 percent in FY 2015.

REVENUE

Unit revenue for major categories of competitive products and for domestic competitive products overall has increased virtually every year over the course of the last decade, as shown in Figure III-30 below.

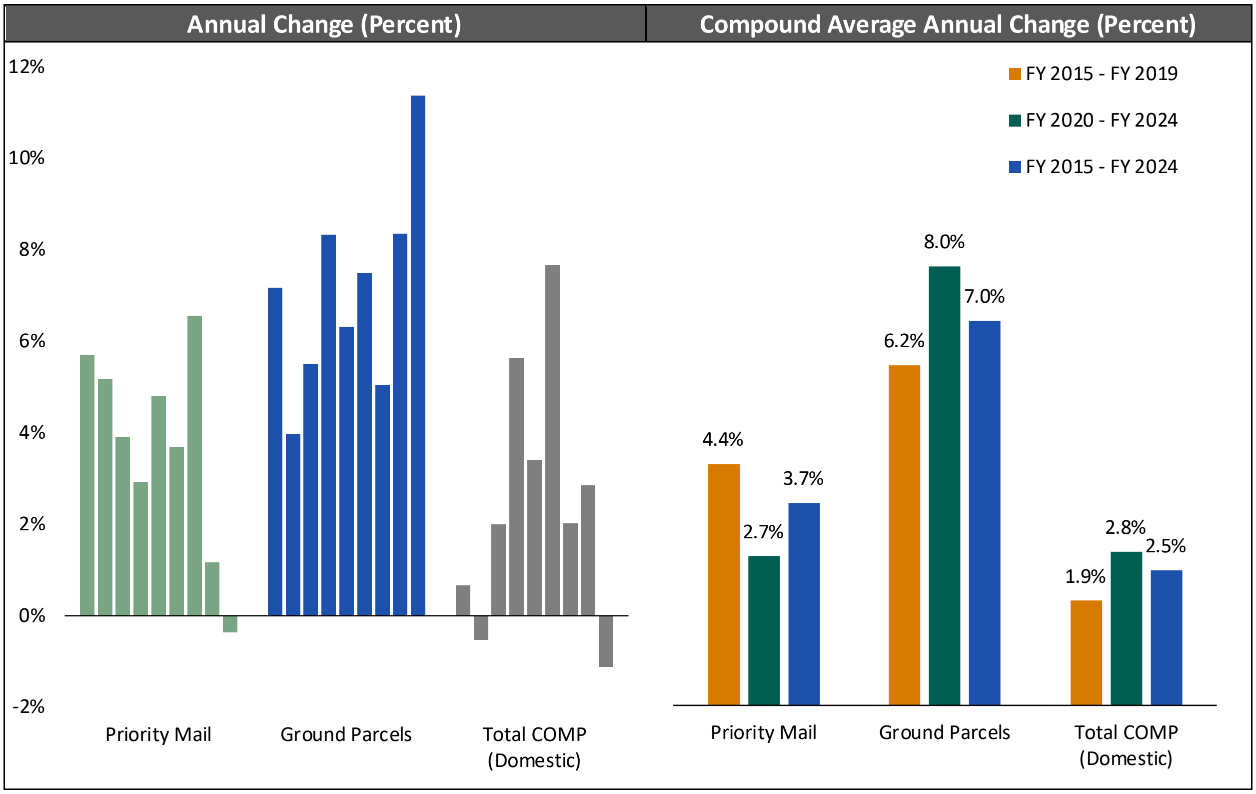
Figure III-30
Competitive Products Average Unit Revenue by Category, FY 2015 – FY 2024



Source: Postal Service's Product Finances, FY 2015-2024.

However, as detailed in Figure III-31, FY 2024 was unique among the last ten years.

Figure III-31
Change in Average Unit Revenue for Competitive Products by Category, FY 2015 – FY 2024



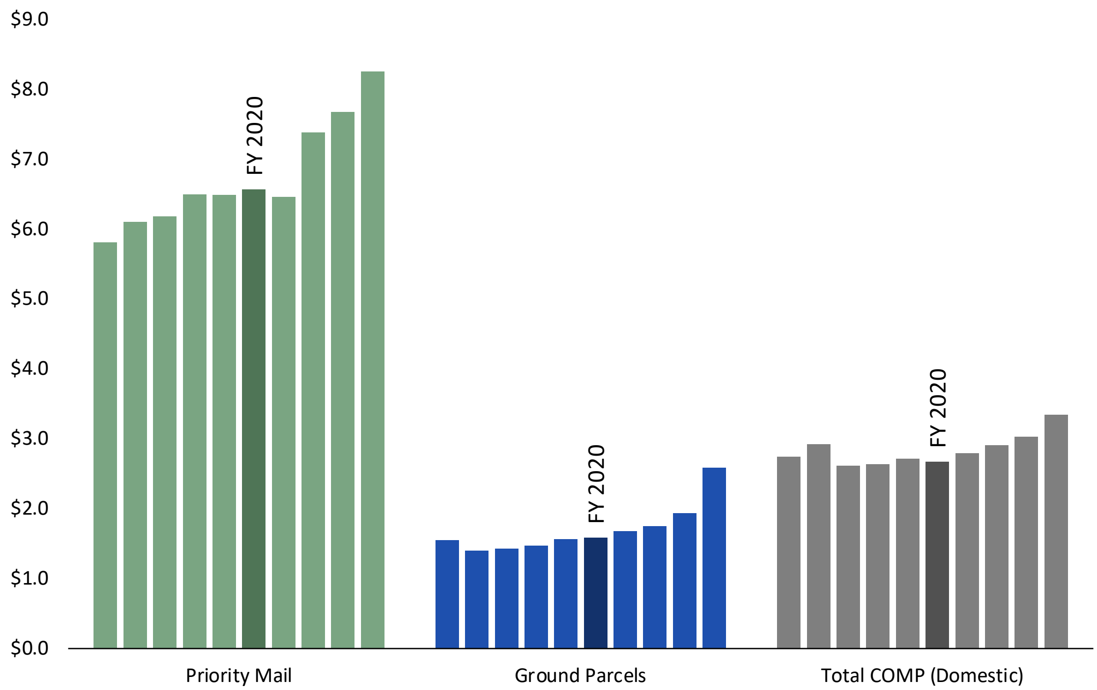
Source: Postal Service's Product Finances, FY 2015-2024.

FY 2024 was the only year when Priority Mail recorded a decrease in unit revenue. For Ground Parcels, FY 2024 represented the year of the highest percentage increase in revenue per piece, at 11.4 percent. For domestic competitive products overall, FY 2024 was the second year when unit revenue declined from previous fiscal year (-1.1 percent), following the 0.5 percent decrease in FY 2017.

ATTRIBUTABLE COST

Figure III-32 shows the average unit attributable cost for Priority Mail and Ground Parcels, the highest-volume categories of domestic Competitive mail. The data in Figure III-32 show that the average unit attributable cost for domestic Competitive products overall declined in the first half of the last decade, by about 0.2 percent per year, on average (*see* Figure III-33 below). However, the average cost per Competitive mailpiece has trended upward since FY 2020, with an average increase of about 5.8 percent per year.

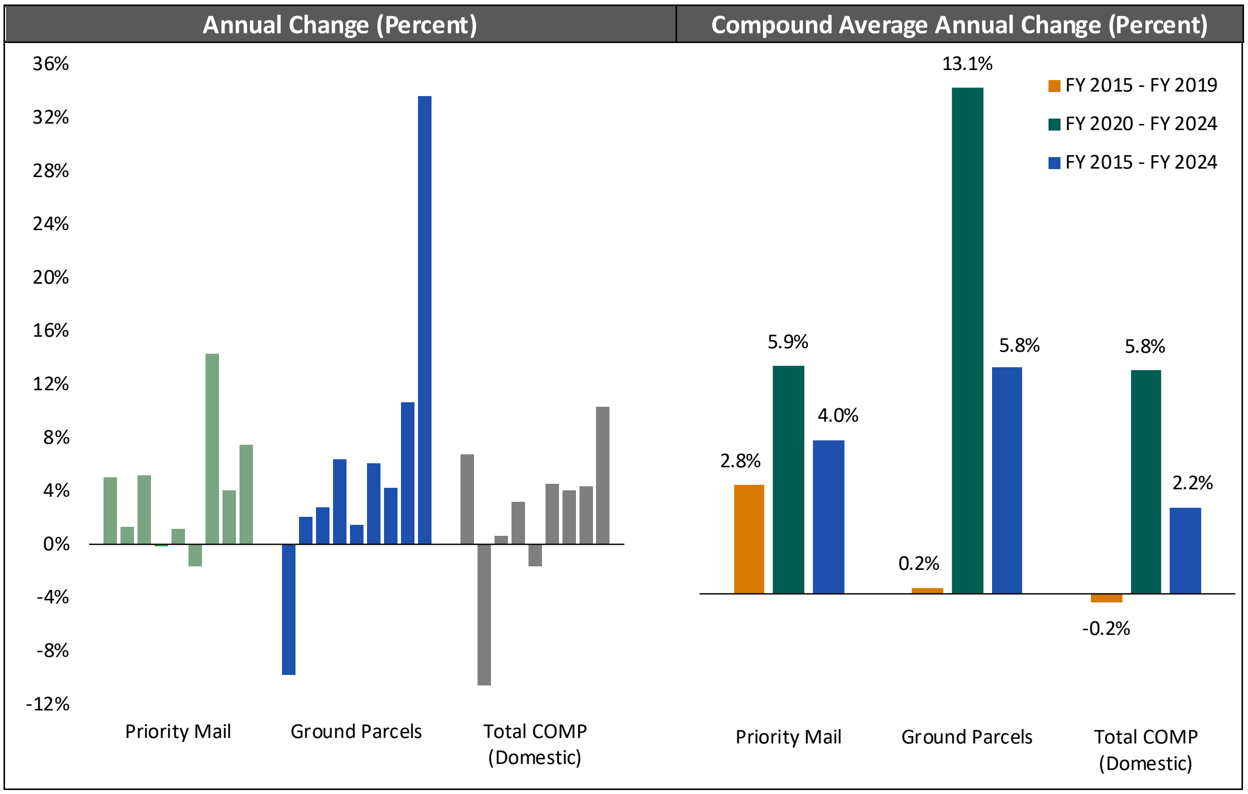
Figure III-32
Competitive Products Average Unit Attributable Cost by Category, FY 2015 – FY 2024



Source: Postal Service’s Product Finances, FY 2015-2024.

The unit cost increases of the last five years are most notable for Ground Parcels, averaging to about 13.1 percent increase per year between FY 2020 and FY 2024, as illustrated in Figure III-33 below.

Figure III-33
Change in Average Unit Attributable Cost for Domestic Competitive Products by Category
FY 2015 – FY 2024

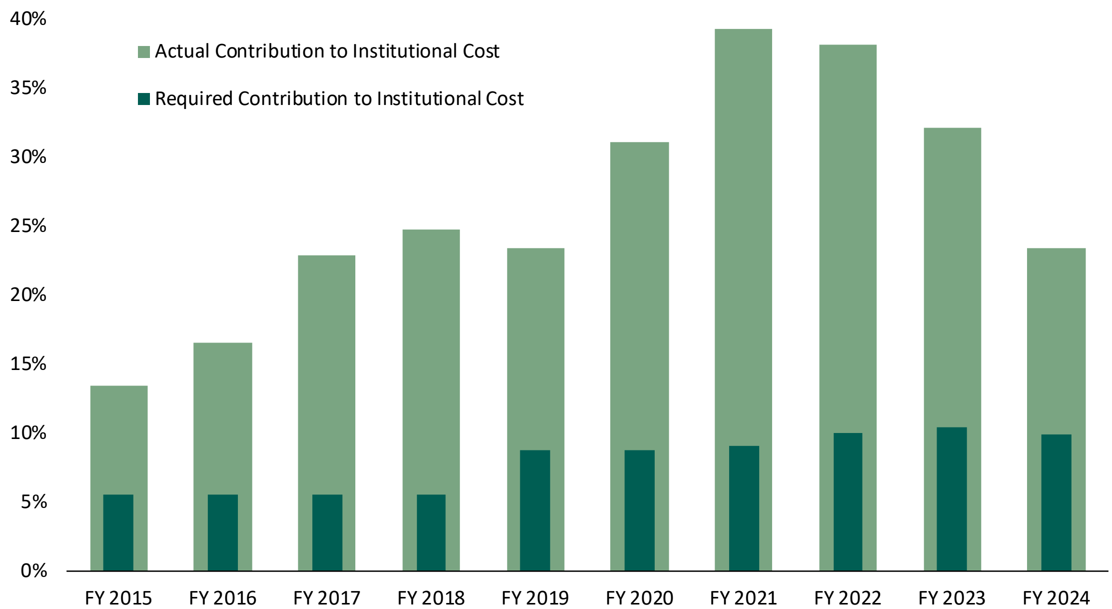


Source: Postal Service’s Product Finances, FY 2015-2024.

INSTITUTIONAL COST COVERAGE

While unit revenue exceeded unit attributable cost for each category of competitive products and overall in each year of the last decade, unit costs increased faster (5.8 percent annually, on average) than unit revenue (2.8 percent annually, on average) in the second half of the last decade. This trend has resulted in the contribution from Competitive products covering a reduced share of the Postal Service's institutional cost, as illustrated in Figure III-34 below.

Figure III-34
Required and Actual Competitive Products Contribution to Institutional Cost (Percent)
FY 2015 – FY 2024



Source: Postal Service's Product Finances, FY 2015-2024.

Chapter IV. Cost and Profit Analysis

Introduction

Chapter 4 divides the broad categories of costs analyzed in Chapter 2 into segments categorized by function and explores how operations impact these costs and how they impact total net income/loss. As stated in Chapter 2 (*see* Table II-4), the single largest cost for the Postal Service is employee salaries and benefits. This chapter contains a discussion of labor costs and workhours.

The basis of the analyses in this chapter are reports filed by the Postal Service; the Form 10-K, the CRA Report; the CSC Report; and payroll data. Docket No. RM2024-4, Statutory Review of the System for Regulating Rates and Classes for Market Dominant Products, April 5, 2024 (Order No. 7032).

Contribution Margin Income Statement

The contribution margin income statement distinguishes between the institutional and attributable costs of each cost segment. By bifurcating the costs from Chapter 2 into these categories, this analysis offers an alternative perspective on the current financial condition of the Postal Service.

The contribution margin income statement evaluates the relationship between revenue, attributable costs, institutional costs, and overall net income or loss. The sections below individually examine each component of the contribution margin income statement.

The contribution margin, as presented in the contribution margin income statement, differs from the controllable loss reported in the Postal Service FY 2024 Form 10-K. Postal Service FY 2024 Form 10-K at 21. The Postal Service defines controllable loss as a non-GAAP measure representing the excess of revenue over costs from normal business operations, adjusted for costs that it determines do not arise from normal business operations and over which it has no control. These adjustments include amortization of unfunded retirement obligations and actuarial changes to workers' compensation obligations.

Table IV-1 provides a high-level view of the contribution margin income statement, highlighting changes in total revenue, attributable costs and institutional costs. Between FY 2023 to FY 2024, total revenue increased by 1.5 percent while total attributable costs declined by 2.7 percent. However, total institutional costs rose by 14.6 percent, leading to an increase in net loss

Table IV-1
Condensed Contribution Margin Income Statement[94]

	FY 2023	FY 2024	FY 2024 over FY 2023	
			$ Change	% Change
Total Revenue	**$79,324**	**$80,505**	**$1,181**	**1.5%**
Total Attributable Costs	47,944	46,641	(1,303)	(2.7%)
Contribution Margin	31,380	33,864	2,484	7.9%
Total Institutional Costs	37,858	43,384	5,526	14.6%
Net Loss	**$(6,478)**	**$(9,520)**	**$(3,042)**	**(47.0%)**
Total All Mail and Services Volume (in Millions)	**116,201**	**112,456**	**(3,745)**	**(3.2%)**

Decrease in expenses is denoted by ().
NM denotes not meaningful.
Numbers may not add across due to rounding
Source: Docket No. ACR2023, Library Reference USPS-FY23-1, December 29, 2023; Docket No. ACR2024, Notice of the United States Postal Service of Revisions to Library References and other Materials Relating to the Annual Compliance Report – Errata, February 14, 2025, Zip File "Revised Materials_ACR Folder", File Folder "USPS-FY24-1 Replacement_2.14.2025." (Collectively Postal Service CRA Report, FY 2023 and FY 2024)

Attributable costs are the "direct and indirect postal costs attributable to each class or type of mail service through reliably identified causal relationships plus that portion of all other costs of the Postal Service reasonably assignable to such class or type[.]" 39 U.S.C. § 3622(c)(2). In Order No. 3506, the Commission revised the methodology for determining attributable cost to include inframarginal costs developed to estimate incremental costs. Previously, attributable cost only included the sum of volume-variable costs, which, in the aggregate, increases as volume increases, and decreases as volume decreases, and product-specific fixed costs, which are costs caused by a specific product or class but do not vary with volume.

The Postal Service initially records costs as accrued costs. Accrued costs are separated into cost segments generally corresponding to major divisions in the Postal Service's chart of accounts. The use of various systems designed to break down the cost of various postal activities determines separation. Identifying cost drivers that reflect the essential activity of each cost component determines the volume variable portion of attributable costs. Most

[94] The Postal Service CRA Report includes inframarginal and group-specific costs in attributable costs. Table IV-3 is calculated using the Postal Service's Cost and Component Reports which reallocates inframarginal and group-specific costs as institutional costs.

cost segments contain multiple cost components. Attributable costs are distributed to products using distribution keys that reflect the underlying cost driver.[95]

After attributable costs are determined, the residual costs are classified as institutional costs. Institutional costs cannot be attributed to specific products or services and are equal to total costs minus total attributable costs. While sometimes referred to as "fixed cost," institutional cost is more accurately characterized as "common cost" because it includes costs that are variable but not causally related to an individual product or class. Institutional costs include costs for carrier network travel time, amortization of unfunded retirement-related liabilities apportioned to prior years, and various administrative costs.

BETWEEN FY 2023 AND FY 2024, THE NET LOSS INCREASED BY 47 PERCENT. TOTAL VOLUME DECLINED 3.2% DURING THAT SAME PERIOD.

In FY 2023 and FY 2024, the Postal Service generated a positive contribution after subtracting all attributable costs from revenue. However, total institutional cost exceeded the contribution amount leading to a net loss in both years. Between FY 2023 and FY 2024, the net loss increased by 47.0 percent. Total volume declined 3.2 percent during that same period. All else being constant, total attributable costs should generally track with volume declines; however, changes to the mail mix and cost of inputs impact expected results.

The Postal Service's institutional costs are significantly influenced by retirement-related obligations and workers' compensation. These costs are subject to volatility due to actuarial assumptions, health care inflation rates, and fluctuating discount rates. Unlike common overhead costs such as non-labor items for rent, supplies, and transportation, these costs tend to exhibit more rapid year-over-year fluctuations, largely driven by inflation.

To assess the increase in "Other" cost in FY 2024, the Commission examines individual cost segment changes. The term "other costs" is derived from the Cost Segment and Component Report and refers to the residual cost remaining after the subtraction of volume variable and product-specific costs from total accrued cost for a cost segment or component. Prior to Order No. 3506, the sum of "other costs" was equal to institutional costs, but "other costs" include inframarginal costs and group-specific costs that are now attributable. It is still the case that most "other costs" are institutional (and most institutional costs are "other costs"), so analysis of them provides insights into the composition and behavior of institutional costs. Table IV-2 details yearly changes, beginning in FY 2020, in institutional

[95] The Postal Service assigns these costs to each product according to methodologies approved by the Commission. Changes to those methodologies are reviewed by the Commission in informal rulemaking proceedings, and members of the general public are given the opportunity to comment in such proceedings.

cost components, revealing significant shifts, particularly in workers' compensation costs, which increased by $3.16 billion in FY 2024. Meanwhile, costs for rural carriers and highway transportation declined, partially offsetting these increases. In FY 2022, the impact of the elimination of the required annual retiree health benefit payments[96] is seen in the comparatively large decrease when compared to the prior fiscal year.

Table IV-2
Change in Other Cost by Segment, FY 2020–FY 2024 ($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
CSRS Supplemental Liability	$225	$64	$ 445	$743	$242
FERS Supplemental Liability	283	57	226	514	144
City Carriers Street Activities	353	395	399	349	1,794
Rural Carriers	179	284	391	272	(673)
Highway Transportation	100	86	(98)	122	(177)
Clerks and Mailhandlers	39	147	97	108	(37)
Other	475	35	1,735	719	1,382
Subtotal	**$1,654**	**$1,068**	**$3,197**	**$2,828**	**$2,675**
Workers' Compensation	(657)	(3,431)	(1,463)	2,716	3,160
Annuitant Health Benefits	71	255	(2,765)	-	-
Total Change	**$1,069**	**$(2,107)**	**$(1,031)**	**$5,544**	**$5,836**

Decrease in expenses is denoted by ().
Source: Postal Service CSC Report, FY 2023- FY 2024; Docket No. ACR2022, Library Reference USPS-FY22-2, December 29, 2022; Docket No. ACR2021, Library Reference USPS-FY21-2, December 29, 2021; Docket No. ACR2020, Library Reference USPS-FY20-2, December 28, 2020; (Collectively Postal Service CSC Report, FY 2020–FY 2024).

To further understand the cost changes that contribute to the Postal Service's net loss, Table IV-3 breaks out both volume variable and product-specific costs and other costs by cost segment.

[96] Section 102 of the PSRA repealed former 5 U.S.C. 8909a(d).

Table IV-3
Contribution Margin Income Statement, FY 2023 and FY 2024 ($ in Millions)

	FY 2023	FY 2024	FY 2023 over FY 2024	
			$ Change	% Change
Total Revenue	**$79,324**	**$80,505**	**$1,181**	**1.5%**
Volume Variable and Product Specific Costs:				
Postmasters	$60	$ 63	$3	5.1%
Supervisors and Technicians	2,084	2,159	75	3.6%
Clerks and Mailhandlers	13,080	13,192	113	0.9%
City Delivery Carriers – Office Activity	3,374	3,326	(48)	(1.4%)
City Delivery Carriers – Street Activity	5,254	3,781	(1,473)	(28.0%)
Vehicle Service Drivers	636	700	64	10.1%
Rural Carriers	3,753	4,570	817	21.8%
Custodial and Maintenance Services	2,203	2,223	20	0.9%
Motor Vehicle Service	859	706	(153)	(17.8%)
Miscellaneous Local Operations	281	275	(6)	(2.0%)
Purchased Transportation	8,155	6,976	(1,179)	(14.5%)
Building Occupancy	1,707	1,761	53	3.1%
Supplies and Services	1,724	1,611	(114)	(6.6%)
Research and Development	0	0	-	NM
Servicewide Personnel Benefits and HQ/Area Operations	794	831	37	4.6%
General Management Systems	0	0	-	0.0%
Other Accrued Expenses (Servicewide)	1,618	1,796	178	11.0%
Total Volume Variable and Product Specific Costs	**$45,582**	**$43,969**	**$(1,613)**	**(3.5%)**
Contribution Margin	**$33,742**	**$36,536**	**$2,793**	**8.3%**
Other Costs:				
Postmasters	$1,892	$1,985	$93	4.9%
Supervisors and Technicians	1,583	1,795	213	13.4%
Clerks and Mailhandlers	3,095	3,058	(37)	(1.2%)
City Delivery Carriers – Office Activity	450	474	24	5.4%
City Delivery Carriers – Street Activity	9,577	11,371	1,794	18.7%
Vehicle Service Drivers	416	458	42	10.1%
Rural Carriers	6,586	5,913	(673)	(10.2%)
Custodial and Maintenance Services	1,229	1,351	122	9.9%
Motor Vehicle Service	1,442	1,422	(20)	(1.4%)
Miscellaneous Local Operations	422	445	23	5.5%
Purchased Transportation	1,956	1,839	(117)	(6.0%)
Building Occupancy	714	795	81	11.4%
Supplies and Services	2,247	2,455	207	9.2%
Research and Development	7	5	(2)	(29.0%)
Servicewide Personnel Benefits and HQ/Area Operations	7,747	11,588	3,842	49.6%
General Management Systems	19	17	(3)	(13.0%)
Other Accrued Expenses (Servicewide)	838	1,084	246	29.3%
Total Other Costs	**$40,220**	**$46,056**	**$5,836**	**14.5%**
Total Costs	**$85,802**	**$90,025**	**$4,223**	**4.9%**
Net Loss	**$(6,478)**	**$(9,520)**	**$(3,042)**	**47.0%**
Total All Mail and Services Volume (in Millions)	**116,201**	**$112,456**	**$(3,745)**	**(3.2%)**

Decrease in expenses is denoted by (). Numbers may not add across due to rounding.
NM denotes not meaningful.
Source: Postal Service CSC Report, FY 2023-FY 2024.

As seen in Table IV-3, certain cost segments experienced significant changes from the previous year, with the largest absolute variations occurring in Service-wide Personnel Benefits and HQ/Area Operations, Purchased Transportation, City Carriers–Street Activity, and Other Accrued Expenses (Servicewide). A closer examination of these segments provides further clarity on their impact on the Postal Service's overall financial performance.

Service-wide Personnel Benefits and HQ/Area Operations cost segment includes salaries, benefits, supplies, and other related costs for Headquarters, Field Service Units, the Security Force, and Area Offices, along with corporate-wide personnel expenses not categorized by employee type, such as supplemental costs of CSRS, FERS Supplemental Liability and workers' compensation.[97] A substantial portion—over 80 percent—of the increase in this segment stems from Component 486 (Workers' Compensation). Workers' compensation costs are composed of current-year costs, prior-year costs, costs related to the Post Office Department, and former postal employees on workers' compensation (Office of Workers' Compensation Programs (OWCP) Health Benefits). Prior year workers' compensation costs are driven by changes in discount rates and actuarial reevaluations of past-year injuries. [98] The prior year workers' compensation costs are not related to mail volume in the current fiscal year and are thus treated as institutional costs.

In FY 2024, over 90 percent of the fluctuation in this component resulted from prior year costs, with changes in discount rates contributing to a $2.2 billion rise compared to FY 2023.[99]

Purchased Transportation covers contracted transportation services via air, highway, rail, and water.[100] Accrued costs for domestic air transportation are treated as fully variable with volume, except for payments made to FedEx and UPS for failing to meet minimum volume commitments, which are treated as institutional costs. [101] Highway transportation costs are assessed through econometric analysis covering six subcategories: intra-SCF, inter-SCF, intra-NDC, inter-NDC, peak, and highway plant load. The total cost variability is determined by the interaction between cost-to-capacity and capacity-to-volume variabilities. [102,103, 104] This cost segment consists of three primary components: Domestic

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[97] United States Postal Service, Summary Description of USPS Development of Costs by Segments and Components, Fiscal Year 2023, July 1, 2024; Zip File "Summary Description Costs FY2023", File "CS18-23.docx" at 18-1. (Postal Service FY 2023 Summary Description).

[98] *Id.* at 18-17

[99] Postal Service FY 2024 Form 10-K at 37.

[100] Postal Service FY 2023 Summary Description, file "CS14-23.docx," at 14-1.

[101] *Id.* At 14-3.

[102] Postal Service FY 2023 Summary Description, file "CS14-23.docx," at 14-5

[103] Some highway variabilities were updated in Docket No. RM2021-1, Order on Analytical Principles Used in Periodic Reporting (Proposal Seven), October 6, 2021 (Order No. 5999).

[104] While the Peak Highway cost pool was introduced in Docket No. RM2022-13, Order on Analytical Principles Used in Periodic Reporting (Proposal Six), November 3, 2022, (Order No. 6322). The variability was introduced in Order No. 5999.

Air, Highway, Railroad, Domestic Water, and International. [105] The largest cost reductions in this segment occurred in Domestic Air (down 28 percent) and Highway (down 9 percent), driven in part by network optimization and lower average diesel and jet fuel prices. [106]

City Delivery Carrier – Street Activity comprises costs associated with delivering and collecting mail. It includes three components: Network Travel (Component 54), Delivery Activities (Component 46), and Delivery Support (Component 280).[107] The methodology for calculating attributable city carrier letter route street time costs[108] approved last year contributed to a decrease in Volume Variable and Product-Specific city carrier costs of 22.1 percent; however, the 36.8 percent increase in Other Costs more than offset the reduction in Volume Variable and Product-Specific costs.

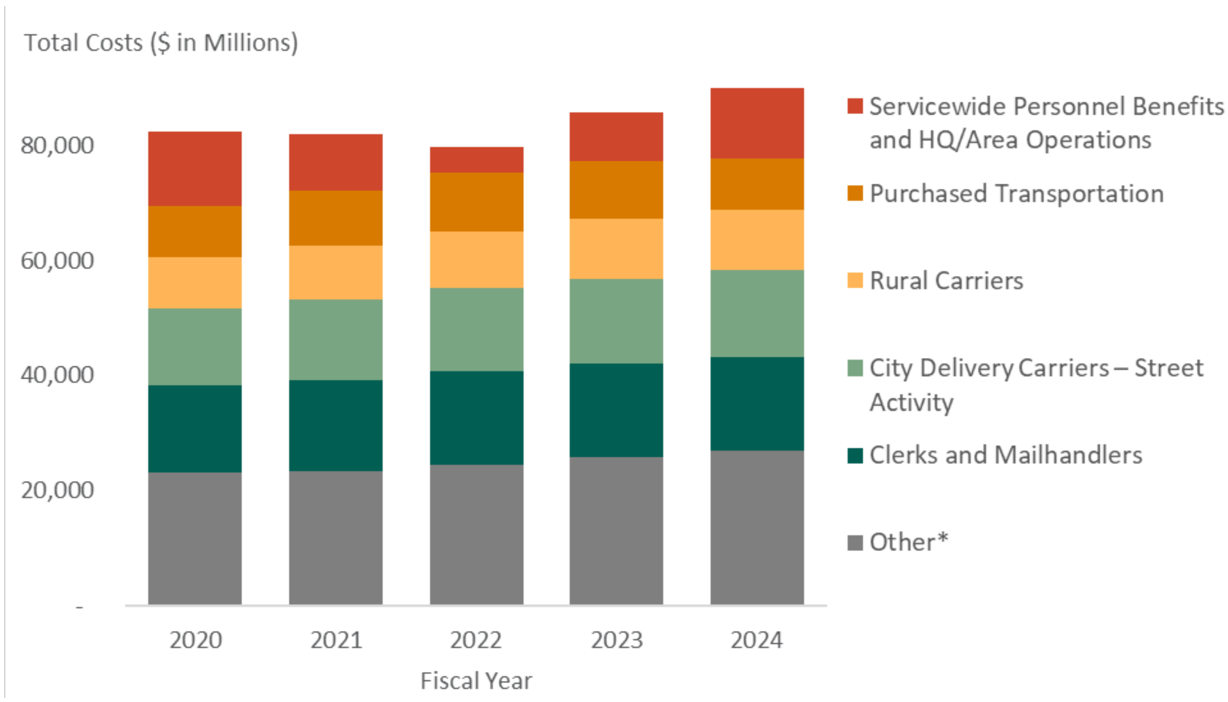
Other Accrued Expenses (Servicewide) covers non-personnel costs for miscellaneous items of expense, including depreciation of buildings, vehicles, equipment, and other assets; indemnities (both domestic and foreign) and insurance claims; interest expense; and other miscellaneous operating activities.[109] The largest increase in FY 2024 came from higher Interest Expense, which grew by 38 percent.[110] This component records interest accrued during the year on Postal Service Notes with the Federal Financial Bank [111] In FY 2024, the costs in this component, increased by 38 percent.[112] In FY 2024, the Postal Service reached its maximum borrowing cap of $15 billion, which led to higher overall interest expenses despite a lower average interest rate on floating-rate notes compared to FY 2023.[113]

Analysis of Cost Segments

The Postal Service's costs are predominantly concentrated in five cost segments (CS): Clerks and Mailhandlers (CS3), City Delivery Carriers – Street Activity (CS7), Rural Carriers (CS10), Purchased Transportation (CS14), and Service-wide Personnel Benefits and HQ/Area Operations (CS18). *See* Figure IV-1.

[105] Postal Service CSC Report, FY 2024.
[106] Postal Service FY 2024 Form 10-K at 38.
[107] Postal Service FY 2023 Summary Description, file "CS6&7-23.docx," at 7-1.
[108] The separate cost pools of the previous model are combined in the top-down approach, and the estimated top-down variabilities are applied to that combined cost pool. *See* Docket No. RM2022-3, Order Approving Analytical Principles Used in Periodic Reporting (Proposal One), August 26, 2024. (Order No. 7411)
[109] Postal Service FY 2023 Summary Description, file "CS20-23.docx," at 20-1.
[110] Postal Service CSC Report, FY 2024.
[111] *Id.* at file "CS20-23.docx," at 20-12 and 20-13.
[112] Postal Service CSC Report, FY 2024.
[113] Postal Service FY 2024 Form 10-K at 39.

Figure IV-1
Share of Total Costs by Major Cost Segment, FY 2020–FY 2024



*Other comprises of cost segments for Postmasters, Supervisors and Technicians, City Delivery Carriers-Office Activity, Vehicle Service Drivers, Custodial and Maintenance Services, Motor Vehicle Services, Miscellaneous Local Operations, Building Occupancy, Supplies and Services, Research and Development, General Management Services and Other Accrued Expenses (Servicewide).
Source: Postal Service CRA Report, FY 2023-FY 2024; Docket No. ACR2022, Library Reference USPS-FY22-1, December 29, 2022; Docket No. ACR2021, Library Reference USPS-FY21-1, December 29, 2021; Docket No. ACR2020, Library Reference USPS-FY20-1, December 29, 2020, (Collectively Postal Service CRA Report, FY 2020-FY 2024)

Between FY 2020 and FY 2024, the total costs within these five cost segments grew by 6.4 percent, a rate significantly lower than the overall Postal Service total cost growth of 9.3 percent. The disparity in growth rates can be largely attributed to a substantial increase in costs within the "Other" category, which saw double-digit growth in Supplies and Services, Motor Vehicle Service, and Building Occupancy relative to FY 2020 benchmarks.

A closer analysis of cost distribution within these segments shows that Other Costs make up a significant portion of total accrued costs. Table IV-4 provides insights into the proportion of other costs for each cost segment. In three out of the five major cost segments identified in Figure IV-1, over half of the total costs are classified as Other Costs.

The largest changes from the prior year were driven by the adoption of new methodologies for attributing city carrier letter route street time costs[114] and rural carrier costs.[115]

Table IV-4
Other Cost Share of Total Costs, FY 2020–FY 2024

Cost Segments		Other Costs Share of Total Accrued Costs				
		FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
CS1	Postmasters	82.4%	82.4%	97.0%	96.9%	96.9%
CS2	Supervisors and Technicians	45.2%	44.6%	43.1%	43.2%	45.4%
CS3	**Clerks and Mailhandlers**	18.0%	18.2%	18.4%	19.1%	18.8%
CS6	City Delivery Carriers – Office Activity	12.7%	12.2%	12.4%	11.8%	12.5%
CS7	**City Delivery Carriers – Street Activity**	63.0%	63.1%	64.0%	64.6%	75.0%
CS8	Vehicle Service Drivers	39.6%	39.6%	39.6%	39.6%	39.6%
CS10	**Rural Carriers**	64.0%	63.8%	64.0%	63.7%	56.4%
CS11	Custodial and Maintenance Services	33.3%	34.3%	35.1%	35.8%	37.8%
CS12	Motor Vehicle Service	62.5%	62.4%	62.7%	62.7%	66.8%
CS13	Miscellaneous Local Operations	50.3%	60.1%	64.3%	60.0%	61.8%
CS14	**Purchased Transportation**	20.5%	20.2%	17.9%	19.3%	20.9%
CS15	Building Occupancy	29.2%	27.9%	28.2%	29.5%	31.1%
CS16	Supplies and Services	54.2%	54.9%	59.0%	56.6%	60.4%
CS17	Research and Development	100.0%	99.6%	98.5%	100.0%	100.0%
CS18	**Servicewide Personnel Benefits and HQ/Area Operations**	75.5%	66.3%	80.5%	90.7%	93.3%
CS19	General Management Systems	99.5%	99.7%	99.6%	99.7%	99.9%
CS20	Other Accrued Expenses (Servicewide)	30.4%	29.7%	31.7%	34.1%	37.6%

Source: Postal Service CRA Report, FY 2020–FY 2024.

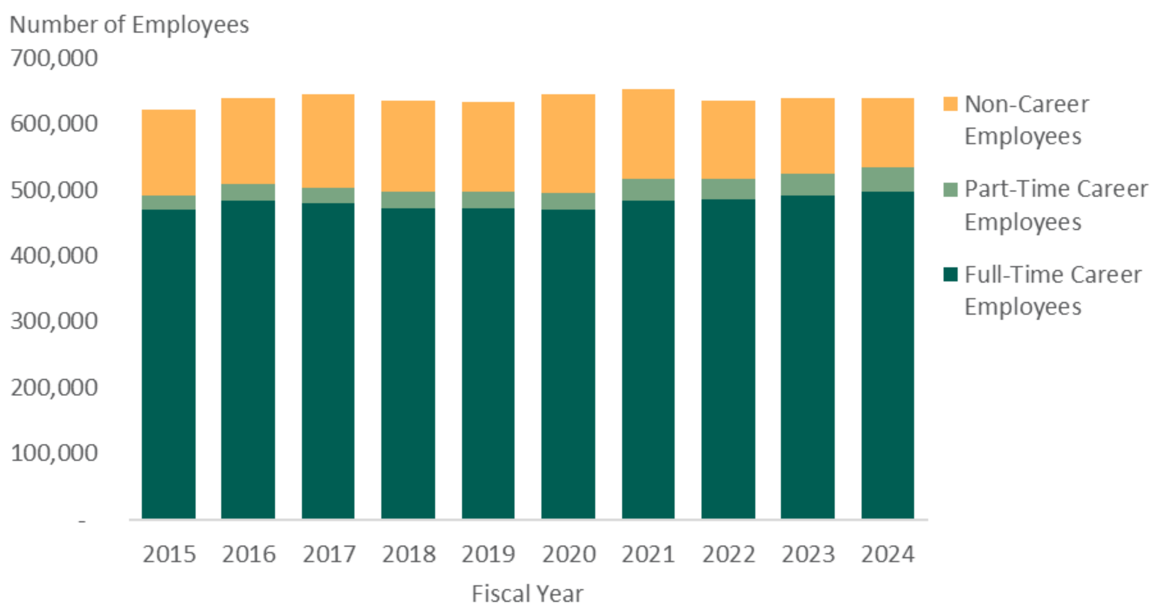
[114] *See* Order No. 7411

[115] *See* Docket No. RM2024-2, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Eight) with Two Modifications, April 18, 2024 (Order No. 7049); and Docket No. RM2024-2, Order Approving the Postal Service's Proposed Changes in Response to Order No. 7049 with One Modification, November 7, 2024. (Order No. 7919)

Analysis of Employee Labor Cost

Employee labor costs, including compensation and benefits, are 76.4 percent of total Postal Service costs. The Postal Service categorizes its workforce into three primary groups: full-time career employees, part-time career employees, and non-career employees. While full-time and part-time career employees typically receive full federal benefits, non-career employees serve in temporary roles and do not receive full federal benefits. Over the past decade (FY 2015–FY 2024), the Postal Service has expanded its career workforce by approximately 41,000 full-time and part-time employees, while simultaneously reducing non-career positions by approximately 24,000. *See* Figure IV-2.

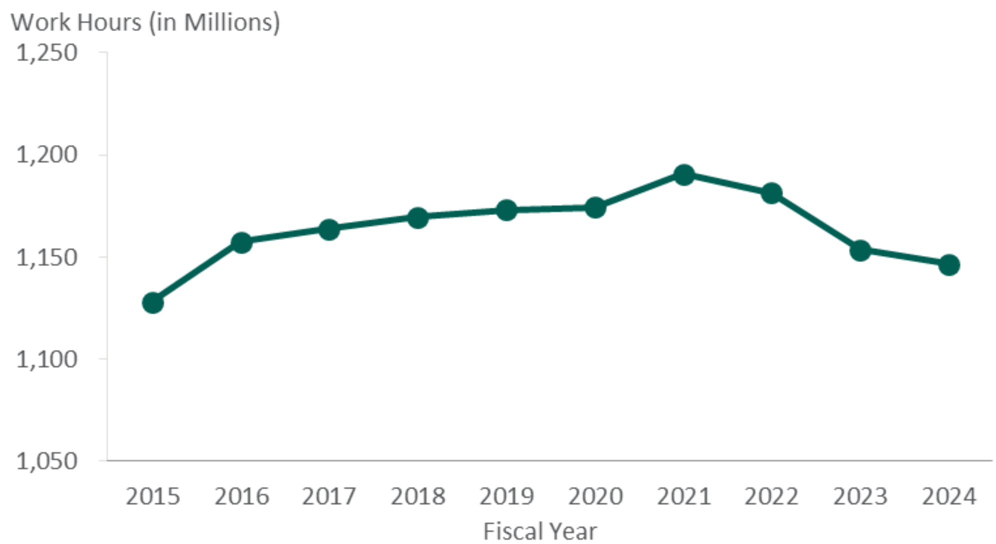
Figure IV-2
Breakdown of Workforce, FY 2015–FY 2024



Source: Postal Service ORPES Report PP 20, FY 2022-FY 2024; United States Postal Service, On-Roll and Paid Employee Statistics, Pay Period 20, 2021, September 29, 2021; United States Postal Service, On-Roll and Paid Employee Statistics, Pay Period 20, 2020, September 29, 2020; United States Postal Service, On-Roll and Paid Employee Statistics, Pay Period 20, 2019, October 15, 2019; United States Postal Service, On-Roll and Paid Employee Statistics, Pay Period 20, 2018, October 11, 2018; United States Postal Service, On-Roll and Paid Employee Statistics, Pay Period 20, 2017, October 6, 2017; United States Postal Service, On-Roll and Paid Employee Statistics September 2016, October 6, 2016; United States Postal Service, On-Roll and Paid Employee Statistics September FY 2015, September 24, 2015 (Collectively Postal Service ORPES Report PP 20, FY 2015-FY 2024).

The historical trend of decreasing workhours for the prior 15 years reversed in FY 2015, marking a period of yearly increases until FY 2021. Workhours saw annual growth of 1.9 percent in FY 2015 and 2.6 percent in FY 2016, followed by a slower rise of 0.5 percent or lower each year until FY 2021, when workhours increased by 1.4 percent, the highest annual rate in the past 5 years. However, this trend reversed again in subsequent years, with workhours decreasing by 0.8 percent in FY 2022, 2.3 percent in FY 2023, and 0.6 percent in FY 2024. Figure IV-3 depicts annual workhours during the past 10 years.

Figure IV-3
Total Workhours (Millions), FY 2015–FY 2024

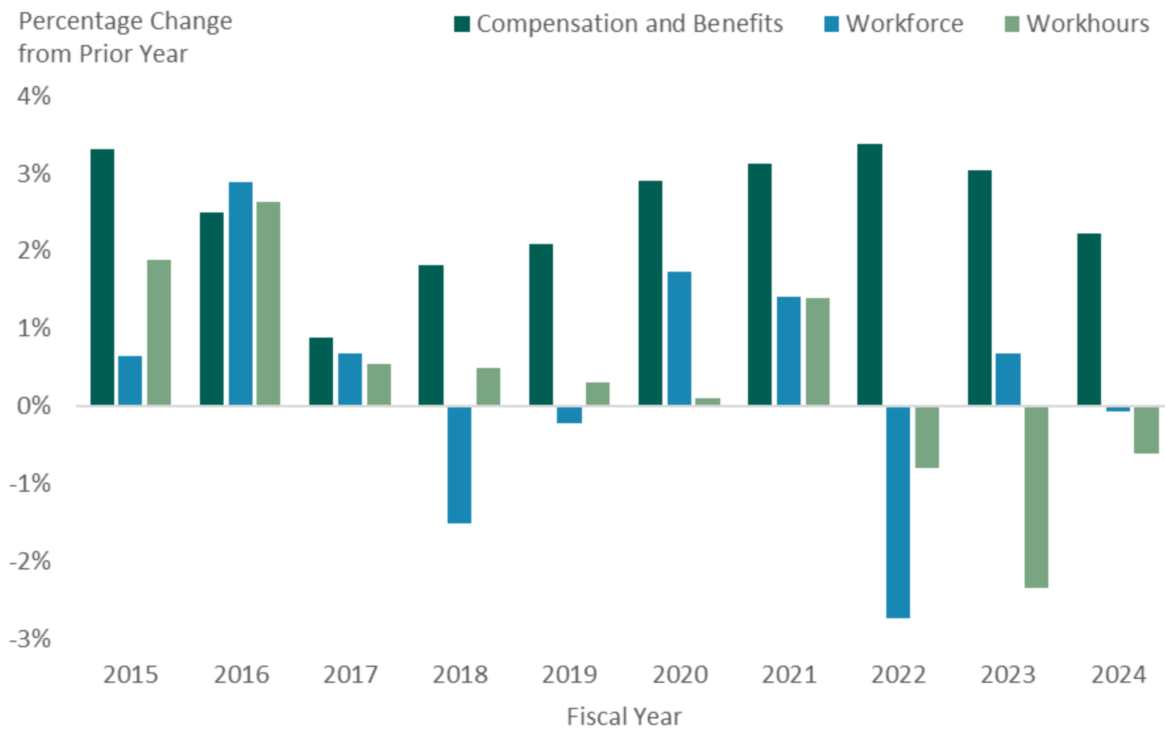


Source: Docket No. ACR2024, Library Reference USPS-FY23-17, December 30, 2024, Zip Folder "FY23.17.Annual Report.zip," File folder "TFP Materials," Excel file "Table Annual 2023 ACR (Public).xls" Postal Service FY 2023 TFP, tab "Lab-13b."

As illustrated in Figure IV-4, FY 2015 saw a substantial rise in total workhours (1.9 percent), driven in part due to an increase in workhours for city delivery and customer service operations. Contractual salary adjustments and an increase in career employees by 0.6 percent further contributed to higher compensation and benefits costs. Retirement expenses increased by 12.5 percent due to the Federal Employees Retirement System (FERS) employer contribution rate increase from 11.9 percent to 13.2 percent.

Between FY 2016 and FY 2017, the number of total employees and workhours increased, leading to higher compensation and benefits costs. Although wage hikes were contractually mandated, cost increases were partially offset by the replacement of higher-paid employees with newly converted career and non-career employees at lower wages. FERS normal costs rose by 5.5 percent in FY 2016 and 1.1 percent in FY 2017, reflecting increased employer contribution rates. Average health benefit premiums also rose by 3.8 percent and 4.4 percent, respectively.

Figure IV-4
Percent Change from Prior Year in Compensation and Benefits, Workforce and Workhours, FY 2015–FY 2024



Source: Postal Service FY 2024 Form 10-K at 26 and 28; Postal Service FY 2023 Form 10-K at 23 and 25; Postal Service FY 2022 Form 10-K at 24; Postal Service FY 2021 Form 10-K at 30; Postal Service FY 2020 Form 10-K at 31 and 34; Postal Service FY 2019 Form 10-K at 26-27; Postal Service FY 2018 Form 10-K at 28; Postal Service FY 2017 Form 10-K at 23-25; Postal Service FY 2016 Form 10-K at 20; Postal Service FY 2015 Form 10-K at 20-27; Docket No. ACR2021, Library Reference USPS-FY21-17, December 29, 2021, compressed folder "USPS-FY21-17", Zip File "FY21.17.Annual Report.zip," File folder "TFP Materials," Excel file "Table Annual 2021 ACR (Public).xls," tab "Lab-13b;" Docket No. ACR2020, Library Reference USPS-FY20-17, December 29, 2020, compressed folder "FY20.17.Annual Report.zip," Excel file "TFP Table Annual 2020 ACR Public.xls," tab "Lab-13b;" Postal Service ORPES Report PP 20, FY 2015-FY 2024.

During FY 2018 and FY 2019, workforce reductions of 1.5 percent and 0.2 percent, respectively, aligned with declining mail volumes. Despite this, workhours slightly increased due to the expansion of delivery points and higher volume during the holiday seasons. Compensation and benefits costs rose by 1.8 percent and 2.1 percent, respectively, due to contractual wage adjustments and increased workhours. Average health benefit premiums grew by 4.0 percent in FY 2018 and 1.2 percent in FY 2019.

The period from FY 2020 to FY 2021 saw compensation and benefits costs increase by 2.5 percent and 2.8 percent, respectively. Compensation rose by 2.6 percent in FY 2020 and 2.7 percent in FY 2021, driven by contractual wage increases, higher overtime hours, and training expenses for new hires. Retirement expenses increased by 6.0 percent in FY 2020 and 6.7 percent in FY 2021, while health benefits rose by 1.3 percent and 1.2 percent, respectively. A significant contributor to rising compensation was the Postal Service contributions for higher social security, TSP, FERS, and FERS-Further Revised Annuity Employees' normal cost and average FEHB premium increased consistent with increases in the wage base.

The workforce expanded by 1.7 percent in FY 2020 and 1.4 percent in FY 2021 due to conversions of non-career employees to full-time career employees and the hiring of additional casual employees to handle higher shipping volume. Despite a minor 0.1 percent increase in total workhours in FY 2020, overtime workhours increased by 13 million hours, offsetting a 12-million-hour reduction in straight-time workhours. In FY 2021, total workhours increased by 1.4 percent, with overtime workhours rising by 23 million hours while straight-time workhours decreased by 7 million.

In FY 2022, the workforce shrank by 17,750 employees (2.7 percent), driven by a 13.2 percent reduction in non-career employees and a 2.3 percent decrease in part-time career employees, partially offset by a 0.2 percent rise in full-time career positions. Workhours declined by 10 million (0.8 percent), including a 16-million-hour reduction in overtime, counterbalanced by a 6 million-hour increase in straight-time workhours. Inflationary pressures pushed compensation costs up by 3.4 percent ($1.4 billion), primarily due to contractual wage increases and cost-of-living adjustments (COLAs) in August 2021, February 2022, and August 2022. Postal Service contributions for Social Security, TSP matching contributions and FERS and FERS-FRAE increased by 6.1 percent due to the impact of increased inflation on salaries. Postal Service contributions for health benefits decreased slightly (0.9 percent) compared to the prior year, reflecting the decrease in the workforce.

In FY 2023, compensation costs rose by 2.1 percent, driven by contractual wage increases and inflationary impacts on related COLAs. The workforce grew by 0.7 percent, with career employees increasing by 1.6 percent while non-career employees declined by 3.4 percent.[116] The conversion of 56,000 non-career employees to career status contributed to this shift.[117] Workhours fell by 2.3 percent, mainly due to reduced overtime. Employee health benefit expenses, including contributions to Federal Employees Health Benefits (FEHB) program and Medicare taxes, increased by 3.1 percent, reflecting the growth in the

[116] Postal Service FY 2023 Form 10-K at 23.
[117] *Id.* at 24.

workforce.[118] Social Security expenses rose by 4.8 percent, and FERS normal costs surged by 8.8 percent, aligning with higher compensation levels, an increase in the maximum benefit base, and workforce composition changes.

IN FY 2024, WORKHOURS DECREASED 0.6%, THE THIRD CONSECUTIVE ANNUAL DECREASE FOLLOWING SEVEN YEARS OF INCREASES.

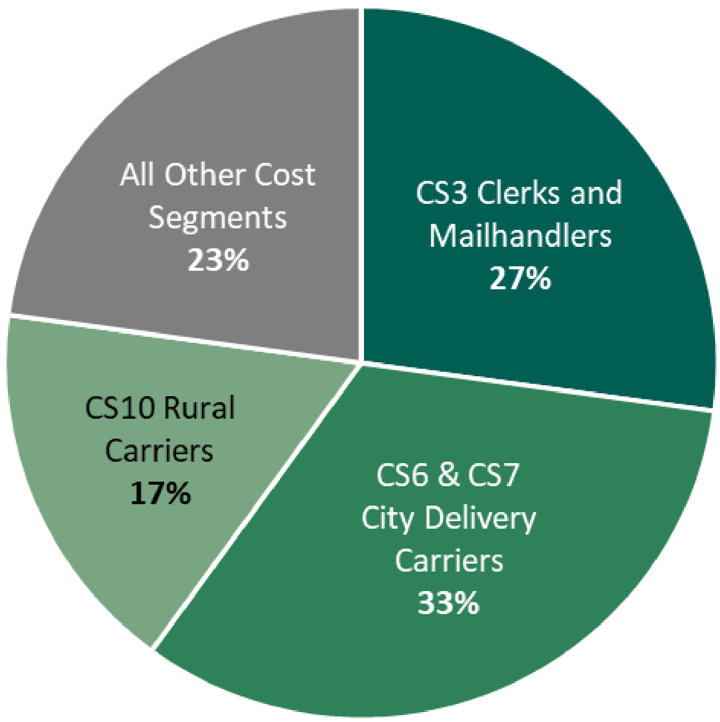
FY 2024 saw a 2.2 percent rise in compensation costs, consistent with the previous year, driven by wage increases and COLAs. However, workforce reductions and workhour declines helped temper overall compensation cost growth.[119] The workforce shrank marginally by 0.2 percent, with career employees increasing by 1.5 percent while non-career employees dropped by 7.8 percent. Total workhours declined by 0.6 percent, primarily due to overtime reductions. Employee health benefits expenses, including contributions to the Federal Employees Health Benefits (FEHB) program and Medicare taxes, increased by 4.1 percent, reflecting the growth in the workforce.[120] Social Security expenses saw a modest 0.2 percent increase, while FERS normal costs grew by 1.1 percent, aligning with overall compensation trends, an increase in the maximum benefit base, and the workforce composition.[121]

This section provides an in-depth examination of compensation changes in FY 2024 across the three cost segments with the highest labor costs, comparing compensation costs (salaries before benefits) in FY 2024 to those in the prior year.

[118] *Id*.
[119] *Id.* at 26 and 27.
[120] *Id.* at 27.
[121] *Id.* at 28.

Three Cost Segments account for almost 80 percent of total compensation costs: CS6 & 7 City Delivery Carriers (in-office and street), CS3 Clerks and Mailhandlers, and CS10 Rural Carriers.

Figure IV-5
Cost Segment Share of Total Compensation Cost, FY 2024

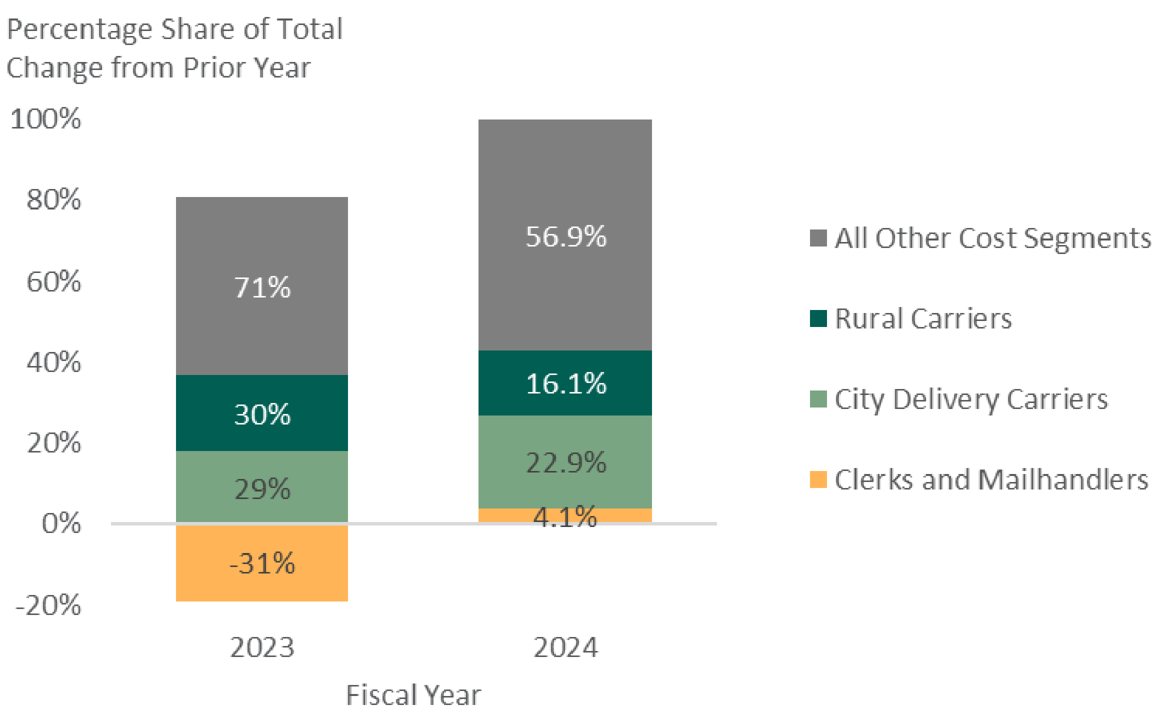


Source: PRC derived from USPS-FY24-7, compressed folder "USPS-FY24-7," file folder "USPS-FY24-7 Excel Workbooks," file folder "Productive Hourly Rates FY2024," Excel file "Wkyrcalc.xls," tab "Calculations."

Figure IV-6 illustrates the relative shares of the growth in compensation for FY 2023 and FY 2024, showing significant changes in each cost segment's share of the total growth rate compared to the prior year. Notably, three of the four cost segments experienced a decline in their share of total growth, while Clerks and Mailhandlers saw a significant increase of nearly 35 percentage points.

These shifts, influenced by changes in workforce composition and types of workhours, led to changes in individual cost segment growth rates between FY 2023 and FY 2024, resulting in a shift in each cost segment's share of total compensation costs.

Figure IV-6
Cost Segment Shares of Growth Rate of Total Compensation Cost, FY 2023 and FY 2024



Source: PRC derived from USPS-FY24-7, Excel file "Wkyrcalc.xls," tab "Calculations."

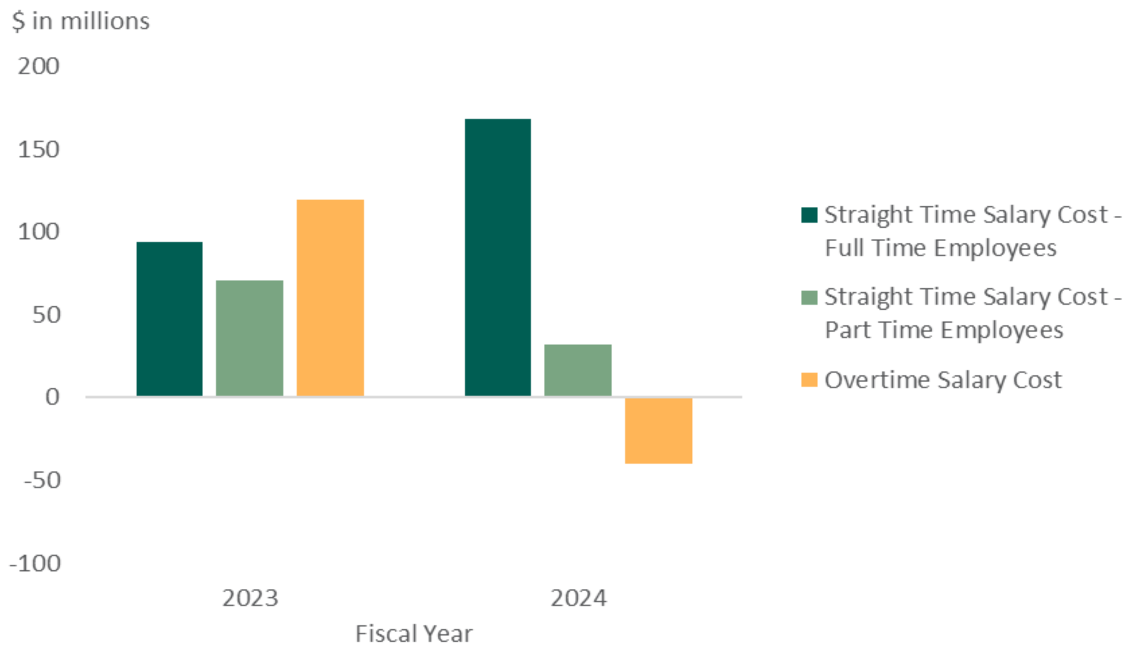
In FY 2024, the total compensation cost for City Delivery Carriers increased at the same rate as the prior two years, 2 percent ($228 million). Figure IV-7 shows that overtime compensation costs decreased by 12 percent ($361 million), a more significant drop compared to the prior year. Meanwhile, straight-time compensation for full-time employees rose by 5 percent, a modest deceleration from the prior year's increase. Straight-time compensation for part-time employees also increased by 5 percent ($71 million), reversing the previous year's decline of 5 percent ($68 million).

Figure IV-7
Composition of Cost Segments 6 & 7 City Delivery Carriers Change from Prior Year
FY 2023 and FY 2024

Source: PRC derived from USPS-FY24-7, Excel file "Wkyrcalc.xls," tab "Calculations."

In FY 2024, total compensation costs for Rural Carriers increased by 2 percent ($160 million), following a 4 percent ($284 million) increase in FY 2023. Overtime compensation costs declined by 5 percent ($40 million) in FY 2024, a reversal from the 18 percent ($120 million) surge in FY 2023. Straight-time compensation for full-time employees increased by 3 percent ($168 million), exceeding the prior year's 2 percent ($94 million) growth. In both years, straight-time compensation for part-time employees increased, rising by 2 percent ($32 million) in FY 2024 and 5 percent ($71 million) in FY 2023.

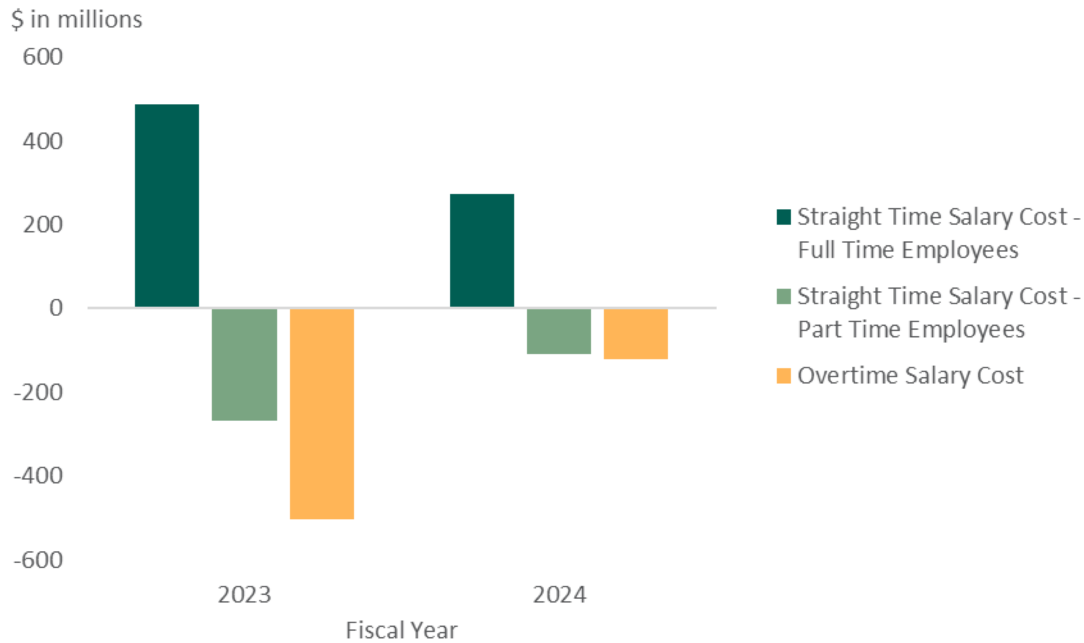
Figure IV-8
Composition of Cost Segment 10 Rural Carriers Change from Prior Year, FY 2023 and FY 2024



Source: PRC derived from USPS-FY24-7, Excel file "Wkyrcalc.xls," tab "Calculations."

Compensation costs for Clerks and Mailhandlers saw a modest increase of 0.3 percent ($41 million) in FY 2024, reversing a 2 percent ($285 million) decline in the prior year. Overtime compensation costs fell by 9 percent ($121 million) in FY 2024, following a substantial 28 percent ($503 million) reduction in FY 2023. Straight-time compensation for full-time employees increased in both years—by 3.3 percent ($273 million) in FY 2024 and by 6 percent ($486 million) in FY 2023. Conversely, straight-time compensation for part-time employees declined by 5 percent ($111 million) in FY 2024, building on the 11 percent ($268 million) drop in FY 2023.

Figure IV-9
Composition of Cost Segment 3 Clerks and Mailhandlers Change from Prior Year, FY 2023 and FY 2024



Source: PRC derived from USPS-FY24-7, Excel file "Wkyrcalc.xls," tab "Calculations."

Figures IV-7, IV-8, and IV-9 illustrate that the overall increase in compensation costs in FY 2023 was primarily a result of rising straight-time compensation for full-time employees. In FY 2024, total compensation costs continued to increase but at a slower rate. A notable change was the higher share of compensation growth for Clerks and Mailhandlers, while City Delivery and Rural Carriers experienced declines. Overtime costs saw a significant reduction across major cost segments, partly due to a greater reliance on straight-time work, driven by the ongoing decrease in non-career employees and growth in career positions.

APPENDICES

Appendix A

Table A-1

Fiscal Year 2024 Volume, Revenue, Incremental Cost and Cost Coverage by Class Current Classification (Products)

	Volume (000)	Revenue ($ 000)	Attributable (Incremental) Cost ($ 000)	Contribution to Institutional Cost ($ 000)	Rev./Pc. (Cents)	Cost/Pc. (Cents)	Contribution to Institutional Cost/Pc. (Cents)	Cost Coverage
COMPETITIVE MAIL								
Priority Mail Express	21,046	$641,669	$290,903	$350,765	3,048.818₵	1,382.195₵	1,666.623₵	220.6%
Priority Mail	698,151	7,105,837	5,761,638	1,344,199	1,017.808	825.271	192.537	123.3%
Total Ground	6,088,171	23,549,478	15,745,099	7,804,379	386.807	258.618	128.189	149.6%
Competitive Domestic Services		1,323,769	348,700	975,069				379.6%
Competitive International Mail & Services	134,937	1,216,944	885,683	331,261	901.859	656.367	245.492	137.4%
Total Competitive Group Specific & Non-Product Inframarginal Costs			664,333					
Total Competitive Mail and Services	**6,942,306**	**$33,837,696**	**$23,696,356**	**$10,141,340**	**487.413₵**	**341.333₵**	**146.080₵**	**142.8%**
MARKET DOMINANT MAIL								
First-Class Mail								
Single-Piece Letters and Cards	10,627,306	$7,188,944	$4,039,715	$3,149,228	67.646₵	38.013₵	29.633₵	178.0%
Presort Letters and Cards	32,771,639	16,476,327	4,897,712	11,578,614	50.276	14.945	35.331	336.4%
Flats	877,879	1,736,003	1,396,288	339,715	197.750	159.052	38.697	124.3%
First-Class Non-Product Inframarginal Costs			132,495					
Total Domestic First-Class Mail	**44,276,824**	**$25,401,273**	**$10,466,209**	**$14,935,063**	**57.369₵**	**23.638₵**	**33.731₵**	**242.7%**
Marketing Mail								
High Density & Saturation Letters	5,536,153	$1,186,325	$531,875	$654,450	21.429₵	9.607₵	11.821₵	223.0%
High Density & Saturation Flats & Parcels	8,164,555	1,685,045	1,071,570	613,475	20.639	13.125	7.514	157.3%
Carrier Route	3,459,005	1,289,602	951,928	337,674	37.282	27.520	9.762	135.5%
Letters	37,840,830	9,917,856	4,677,514	5,240,342	26.209	12.361	13.848	212.0%
Flats	1,936,733	1,185,200	1,552,849	(367,649)	61.196	80.179	(18.983)	76.3%
Parcels	18,246	62,356	47,103	15,253	341.756	258.157	83.599	132.4%
Every Door Direct Mail - Retail	583,365	120,128	40,335	79,793	20.592	6.914	13.678	297.8%
Marketing Mail Non-Product Inframarginal Costs			225,922					
Total Marketing Mail	**57,538,887**	**15,446,512**	**9,099,095**	**6,347,417**	**26.845₵**	**15.814₵**	**11.032₵**	**169.8%**
Periodicals								
Within County	483,318	$72,960	$89,554	$(16,595)	15.096₵	18.529₵	(3.434)₵	81.5%
Outside County	2,262,785	839,182	1,159,364	(320,182)	37.086	51.236	(14.150)	72.4%
Periodicals Non-Product Inframarginal Costs			1,140					
Seamless Acceptance Incentive Payments		0						
Total Periodicals	**2,746,103**	**$912,142**	**$1,250,058**	**$(337,916)**	**33.216₵**	**₵45.521₵**	**₵ (12.305)**	**73.0%**

Package Services								
Alaska Bypass	1,159	$38,237	$38,497	$(261)	₵3,299.801	₵3,322.293	₵(22.492)	99.3%
Bound Printed Matter Flats	118,982	109,874	86,013	23,860	92.345	72.291	20.054	127.7%
Bound Printed Matter Parcels	223,690	327,997	325,230	2,767	146.630	145.393	1.237	100.9%
Media and Library Mail	82,401	430,134	331,774	98,360	522.004	402.636	119.368	129.6%
Package Services Non-Product Inframarginal Costs			637					
Seamless Acceptance Incentive Payments		0						
Total Package Services	**426,231**	**$906,242**	**$782,151**	**$124,090**	**212.617₵**	**183.504₵**	**29.113₵**	**115.9%**
U.S. Postal Service Mail	357,979							
Free Mail	13,676		$17,306	$(17,306)		126.543		
Total Market Dominant Mail	**105,359,701**	**$42,666,168**	**$21,614,820**	**$21,051,348**	**40.496₵**	**20.515₵**	**19.980₵**	**197.4%**
MARKET DOMNINANT SERVICES								
Ancillary Services								
Certified Mail		$708,715	$285,324	$423,391				248.4%
COD		5,400	2,938	2,462				183.8%
Insurance		56,433	16,593	39,840				340.1%
Registered Mail		19,562	14,117	5,444				138.6%
Stamped Envelopes		12,885	11,115	1,770				115.9%
Stamped Cards		631	132	499				476.9%
Other Ancillary Services		433,471	174,611	258,860				248.2%
Money Orders		235,401	166,150	69,252				141.7%
Post Office Box Service		335,550	143,675	191,875				233.5%
Caller Service		101,261	15,397	85,864				657.7%
Other Special Services		76,790	16,472	60,317				466.2%
Market Dominant Services Non-Product Inframarginal Costs			12,850					
Total Market Dominant Domestic Services		**$1,986,098**	**$859,374**	**$1,126,724**				
Outbound Single-Piece Mail Intl	89,115	$171,584	$104,339	$67,245				
Inbound Single-Piece Mail Intl	65,068	48,914	35,976	12,939				
International Services		9,214	5,494	3,720				
Market Dominant Intl Non-Product Inframarginal Costs			5	(5)				
Market Dominant International Mail & Services	**154,183**	**$229,713**	**$145,814**	**$83,899**				
Federal Interagency Agreements		424,384	256,310	168,074				
Other Income		340,419		340,419				
Other International Mail Attributable			68,479	(68,479)				
Total Mail and Services	**112,456,190**	**$79,484,478**	**$46,641,153**	**$32,843,326**	**70.680₵**	**41.475₵**	**29.205₵**	**170.4%**
Institutional Costs			$43,383,951					
Impact of Postal Reform Legislation (Gain)								
Appropriations: Revenue Forgone		$62,369						
Investment Income		957,959						
Total Revenues		**$80,504,806**						
Total Costs			**$90,025,104**					
Net Income (Loss)		**$(9,520,298)**						

Appendix B: Total Factor Productivity

TFP DECLINED FOR THE EIGHTH YEAR IN THE LAST DECADE.

Total factor productivity (TFP) is a measure of Postal Service productivity for any given year. TFP measures the change in the relationship between workload processed and inputs (resource usage) over a period of time. Workload consists of weighted mail volume, miscellaneous output, and the expanding delivery network. Resources consist of labor, materials (including purchased transportation), and capital assets. TFP is calculated as the difference in workload growth and the growth of resources used.

As a labor-intensive organization, with labor comprising approximately 75 percent resource usage, the Postal Service's productivity has historically fluctuated based on workforce changes, workload trends, and capital investment restrictions. Between FY 2000 to FY 2007, labor reductions improved productivity, but the large drop in mail volume in FY 2008 and FY 2009 led to a decline in workload that was not matched with a corresponding decline in inputs, and productivity declined. This trend reversed over the course of the following five years (FY 2010 to FY 2014), when labor reductions exceeded reductions in workload.

TFP reached its peak in FY 2015 and, with the exception of FY 2021, declined each year thereafter. Workload increases in FY 2016 and FY 2020 were accompanied by relatively minor increases in labor inputs and more substantial increases in materials, which resulted in productivity losses in those years. Workload continued to increase in FY 2021, but labor and material usage declined, and TFP increased. This combination of increased workload and reduced inputs has been rare, occurring only seven times since 1964.

In six years of the last decade (FYs 2017 to 2019, and FYs 2022 to 2024), labor continued to decline with workload. Materials usage decreased in three of those years (FYs 2019, 2022, and 2024), and it increased in the other three years (FYs 2017, 2018, and 2023). The increases in materials were largely driven by air and highway transportation, supplies, and professional services expenditures. While aggregate inputs usage decreased in FYs 2017 to 2019 and FYs 2022 to 2024, it did not decrease sufficiently to offset the declines in workload, and the Postal Service's productivity declined as a result.

In FY 2023, TFP and labor productivity experienced their largest declines since 1965, with TFP dropping 4.1 percent, and labor productivity dropping 3.0 percent. The decline in labor productivity was driven by insufficient reduction in labor (-1.9 percent) for the decline in workload (-4.8 percent). Capital inputs also declined in FY 2023, but material usage increased (4.1 percent). The net result was a 0.7 percent decrease in inputs, which fell far short of matching the decline in workload.

The productivity measures provided by the Postal Service as part of the *Annual Compliance Report* (ACR) are preliminary because *Cost and Revenue Analysis* (CRA) and *International Cost and Revenue Analysis* (ICRA) data for the most recent fiscal year are not available at the time TFP reports are prepared for ACR reporting. As a result, they are calculated using CRA and ICRA data for the prior fiscal year.[122] For example, FY 2024 productivity measures that the Postal Service filed with its *FY 2024 ACR* are based on the FY 2023 CRA and ICRA data. *Id*.

For FY 2024, preliminary measures of productivity suggested a 0.13 percent increase in TFP and a 0.4 percent decrease in labor productivity.[123] However, updating the calculations to incorporate FY 2024 CRA and ICRA data results in a 0.12 percent decrease in TFP, rather than an increase,[124] and a larger decline in labor productivity (-0.6 percent rather than -0.4 percent).[125]

Workload continued to decline, dropping 1.1 percent in FY 2024, mainly due to a 2.3 percent decrease in weighted mail volume, with declines in most categories of First-Class Mail and USPS Marketing Mail, and a large decline in Priority Mail. Resource usage decreased by 1.0 percent, with labor and materials inputs falling (by 0.5 percent and 3.6 percent, respectively), and capital input increasing (by 3.2 percent).

The Postal Service describes continued workhour reduction initiatives and conversions of non-career employees to career status as having contributed to "a historic decrease in total workhours and in overtime hours."[126] Non-career workhours declined by 15.2 million (or 7.9 percent) in FY 2024, while career workhours increased by 8.1 million (or 0.8 percent), for a net workhour reduction of 7.1 million (or 0.6 percent). This represents the second lowest workhour reduction of the PAEA era. The largest workhour decrease (8.8 percent) occurred in FY 2009.

Clerks and Mailhandlers, City Delivery Carriers and Vehicle Service Drivers, and Rural Carriers collectively account for about 84 percent of all workhours. Among these categories, Clerks and Mailhandlers and Rural Carriers workhours decreased for both career and non-career employees. The extent of non-career-to-career conversion in FY

[122] *See* Notice of the United States Postal Service of Filing its Responses to Questions 1-8 of Chairman's Information Request No. 19 and Application for Non-Public Treatment (USPS-FY24-NP39), April 4, 2025, question 1.b. (Response to CHIR No. 19).

[123] Postal Service FY 2024 Annual Report to Congress at 56-7.

[124] *See* Excel file "CHIR19_Q8_FY2024 TFP Summary Tables (Public) linked revise.xlsx," tab "Summary," cell B11 (Revised FY 2024 Public TFP Summary File), attached to Response to CHIR No. 19, question 8. *See also*, Library Reference USPS-FY24-17, Excel file "FY2024 TFP Summary Tables (Public).xlsx," tab "Summary," cell B11 (Preliminary FY 2024 Public TFP Summary File).

[125] *See* Revised FY 2024 Public TFP Summary File, tab "Summary," cell B12. *See also* Preliminary FY 2024 Public TFP Summary File, tab "Summary," cell B12.

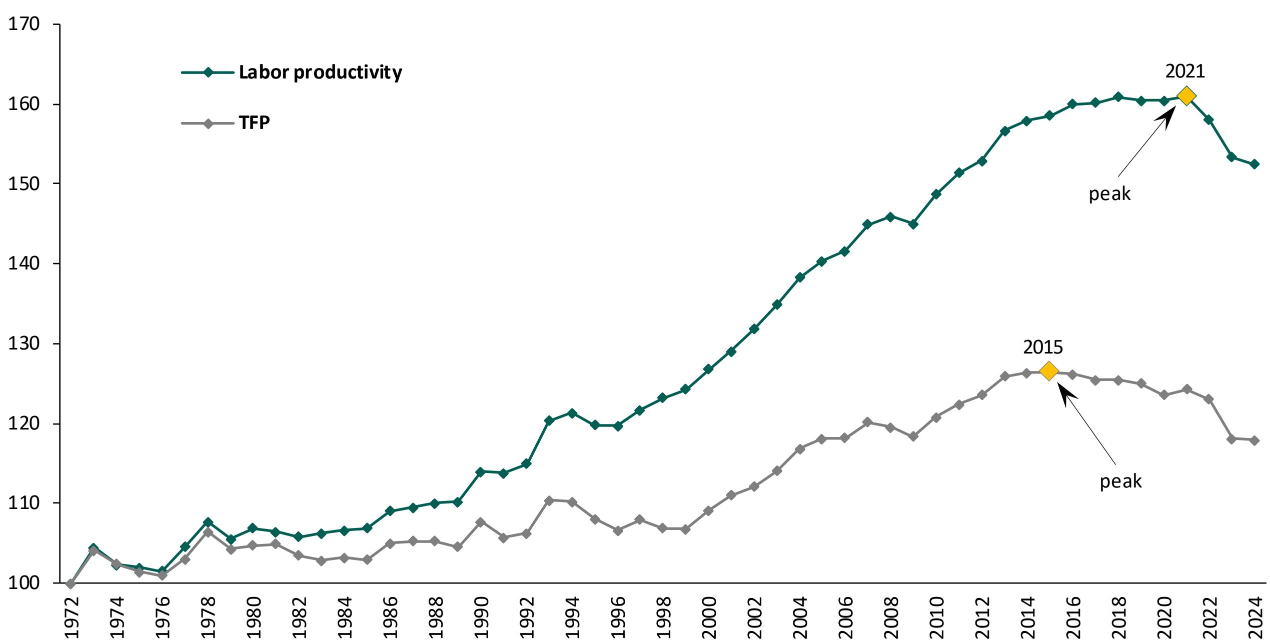
[126] Postal Service FY 2024 Annual Report to Congress at 56.

2024 for these two labor categories is unclear from available data. For City Delivery Carriers and Vehicle Service Drivers, a 5.1 million reduction in non-career workhours was about offset by a 4.8 million increase in career workhours.

For all other labor categories, which consist entirely of career employees, the Postal Service added 4.4 million workhours in FY 2024. These categories include Postmasters, Supervisors, Building Services Personnel, Vehicle Maintenance Personnel, Professional, Administrative, and Technical Personnel, and Other Personnel.

FY 2024 marks the eighth decrease in TFP in the last ten years. FY 2024 also marks the third full fiscal year since the Postal Service began implementing the DFA Plan.[127] In each of these years, TFP and labor productivity declined, including the largest one-year decrease ever recorded in FY 2023. Figure B-1 shows the trends in TFP and labor productivity from FY 1972 through FY 2024.

Figure B-1
Postal Service Total Factor Productivity and Labor Productivity, FY 1972–FY 2024



Source: Excel file “CHIR19_Q8_Table Annual 2024 (public) revise.xlsx,” tabs “Tfp-52” and “Tfp-53,” attached to the Response to CHIR No. 19, question 8.

[127] The Postal Service issued its Delivering for America plan in March of 2021.