Postal Regulatory Commission
Submitted 05/21/2026 11:27 AM
Filing ID: 140009
Accepted 5/21/2026

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

Fiscal Year 2025

May 21, 2026

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Chapter I. Executive Summary

The Commission's detailed analysis of the Postal Service FY 2025 financial data finds that despite modest revenue growth and some cost reductions, the Postal Service continues to incur operating and net losses, with high institutional costs and significant liabilities limiting improvements in its overall financial position in FY 2025. These financial outcomes are closely linked to long-term declines and mix shifts in mail volume, rising labor and transportation costs, and structural obligations such as retirement and workers' compensation that remain elevated relative to revenue. Additionally, between FY 2024 and FY 2025, the Postal Service's overall net loss narrowed slightly, but its controllable loss increased as modest revenue growth was more than offset by higher compensation and other operating costs, indicating a deterioration in its underlying operating performance.

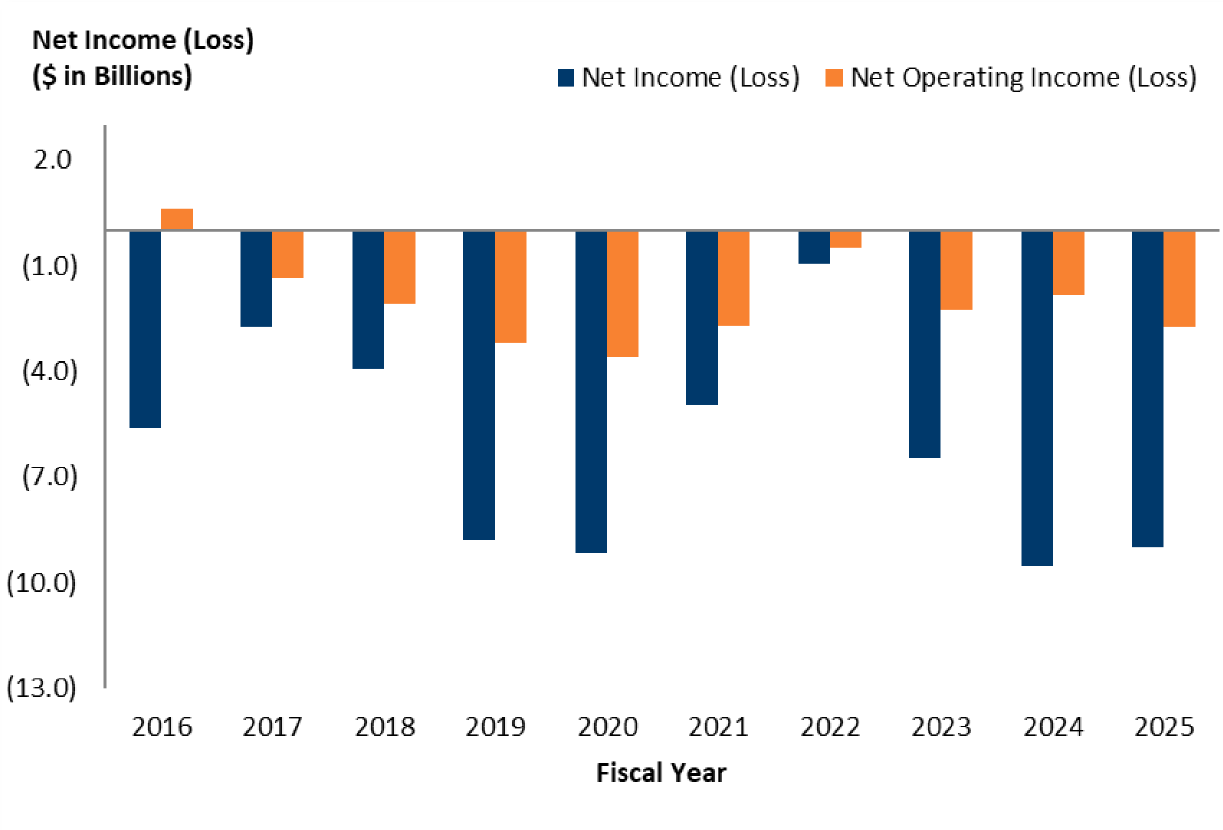
In this context, legislative changes, particularly clearer definition of the universal service obligation, refinements to retiree benefit, and workers' compensation funding, and possible adjustments to borrowing authority—could help align statutory obligations with the Postal Service's financial capacity and support a more sustainable operating model.

In FY 2025, the Postal Service recorded a net loss from operations of $2.7 billion. Compared to FY 2024, the increase of $0.9 billion in net loss from operations was the result of a $1.8 billion increase in operating expenses, partially offset by an increase of $1 billion in revenue. The increase in operating expenses occurred despite total volume decreasing by 3.7 percent, including a 3.2 percent decrease in the volume of Market Dominant products. The disconnect between workload and costs also resulted in a 2.1 percent decrease in Total Factor Productivity (TFP), marking the ninth decline in the last ten years. Despite the volume decreases, operating revenue increased by 1.3 percent. Market Dominant product prices increased by approximately 15.2 percent between July 2024 and the end of FY 2025.

When Non-operating Expenses (NOEs) are included, the net operating loss of $2.7 billion becomes a net loss of approximately $9 billion. This is an improvement of $0.5 billion compared to FY 2024. Figure I-1 shows net income (loss) and net operating income (loss) results for the period FY 2016 – FY 2025.[1]

[1] The net loss in FY 2022 excludes the effect of a one-time adjustment from the passage of the Postal Service Reform Act of 2022.

Figure I-1
Postal Service Net Income Trends



Source: United States Postal Service, Form 10-K 2025, November 14, 2025; United States Postal Service, Form 10-K 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 2022)

As seen in Figure I-1, the Postal Service has not had a profitable year in the last decade. These sustained losses have weakened its financial position, resulting in a significant gap between assets and liabilities. At the end of FY 2025, the Postal Service recorded total assets of $41.7 billion and total liabilities of $83.3 billion.

The financial sustainability of the Postal Service is adversely impacted when current assets are insufficient to cover current liabilities.

At the end of FY 2025, the Postal Service's financial position reflected continued net losses and a large net deficit. Key indicators include:

- Total net loss of $9 billion.
- The net deficit was $41.6 billion, consisting of an accumulated deficit of $57.7 billion offset by capital contributions of $16.1 billion, the highest level of capital contributions since passage of the PAEA.
- In FY 2025, the Postal Service had more cash on hand than the year before, but it had much less in short-term investments, and it stayed at its full $15 billion borrowing limit without paying any of that debt down. Overall, it had less total liquidity available to cover its short-term debt than it did the year before and less than its average over the past decade.
- Operating revenue rose to about $80.6 billion, an increase of roughly $1 billion (1.3 percent), driven by USPS Ground Advantage growth and price increases across mail and shipping.
- Total operating expenses stood at $83.5 billion, which were $1.7 billion (2.2 percent) higher in FY 2025 than the prior year, and $0.1 billion more than the Integrated Financial Plan.
- Highway transportation costs went up slightly in 2025, by about 1 percent, after dropping more than 8 percent the year before, because the Postal Service relied more on flexible, but generally more expensive freight auction trips. At the same time, air transportation costs fell by almost 18 percent because more packages were shifted from planes to trucks, which are usually cheaper for many routes.
- Total operating expenses ended up higher than the Postal Service had planned because compensation and transportation cost more than expected. Pay and benefits alone were $0.4 billion higher than planned, mainly because inflation pushed up cost-of-living adjustments for employees.
- Almost 70 percent of the Postal Service's expenses are for employee pay and benefits. In FY 2025 it used 5 million more hours of overtime, but 12 million fewer total workhours and had 15,000 fewer employees than the year before.
- The career workforce declined for the first time since FY 2020, with a decrease of approximately 2,400 employees. The non-career workforce declined by approximately 18,000 employees. Compared with FY 2020, it now has about 35,000 more career employees and about 55,000 fewer non-career employees.
- Although recent reductions in workhours and total headcount have moderated the pace of cost growth, factors such as higher benefit costs, increased career

conversions, and volatility in overtime workhour usage continue to exert upward pressure on compensation expenses.

- The Postal Service acknowledges that it has lost Competitive volume to competitors in the delivery marketplace. It is the Postal Service's expectation that Competitive volumes will continue to "level-off or decline in the future" as some of its customers "continue building their delivery capabilities."
- While the average unit cost increases for each group of mail were lower than their respective increases in unit revenue, for Competitive mail, the increase in unit attributable cost far outpaced inflation (about 2.7 percent) between FY 2024 and FY 2025.
- Between FY 2024 to FY 2025, total revenue increased by 1.1 percent while total attributable costs declined by 1.0 percent. However, total institutional costs rose by 1.7 percent, resulting in a net loss.

This chapter summarizes the Commission's findings.

Chapter 2 analyzes the Postal Service's overall financial status, focusing on the Income Statement, Balance Sheet, and Statement of Cash Flow and related financial ratios.

Chapter 3 examines trends in volume, revenue, and cost for Market Dominant and Competitive products, comparing FY 2025 with FY 2024 and the prior decade.

Chapter 4 analyzes costs by segment and function, including labor and workhours, and presents a contribution margin income statement to assess the relationships among revenue, attributable costs, institutional costs, and net income (loss).

This report uses information reported in its FY 2025 Form 10-K, measuring it against FY 2024 and the FY 2025 Integrated Financial Plan (Financial Plan). Additionally, data filed with the FY 2025 Annual Compliance Report (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.

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 2024 and FY 2025. 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 report on financial performance (profit and loss) over the fiscal year.
- Balance Sheets, which present assets and liabilities at fiscal year-end.
- 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.[2] Net operating expense is calculated as the total expenses minus accruals for certain unfunded retirement liabilities and the non-cash adjustments to the workers' compensation liability.[3]

In FY 2025, 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 in April FY 2022.[4] The PSRA removed the Postal Service's prefunding obligation resulting in the removal of the $57 billion liability from the balance sheet.[5]

Beginning in FY 2017, the Office of Personnel Management (OPM) began annually revaluing the CSRS liability and assessing installment payments to liquidate the unfunded liability by FY 2043. In FY 2025, the Postal Service did not pay its annual installment of $3.1 billion. Postal Service FY 2025 Form 10-K at 59. As of September 30, 2025, the Postal Service had a total of $20.1 billion in unpaid CSRS liabilities for FY 2017 through FY 2025. *Id.* at 39.

> ***THE POSTAL SERVICE'S FY 2025 NET OPERATING LOSS IS $0.9 BILLION MORE THAN THE FY 2024 NET OPERATING LOSS.***

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 with a goal of liquidating the unfunded liability over a 30-year period on a rolling basis. In FY 2025, the Postal Service paid $1.5 billion of the total $2.2 FERS obligation, leaving $0.7 billion outstanding. Postal Service FY 2025 Form 10-K at

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[2] In FY 2025, $79.6 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, including Federal Interagency Agreements. The Postal Service also received a small governmental appropriation for providing free mail for the blind and overseas voting and a few other programs.

[3] 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 2025. The Postal Service considers these expenses non-controllable.

[4] 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.

[5] The Postal Service Retiree Health Benefits Fund (PSRHBF) will pay the employer portion of annuitant premiums until the fund is exhausted after which point the Postal Service will be required to fund retiree health benefits on a pay-as-you-go basis. Beginning in FY 2026 the Postal Service is required to make annual top-up payments to the PSRHBF, if premium payments exceed claims costs. Form 10-K at 68.

59. Since FY 2013, the Postal Service has accumulated total unpaid FERS liabilities of $12.3 billion. *Id.* at 39.

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 20.

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 2024 and FY 2025 ($ in Millions)

	FY 2024	FY 2025	$ Change from FY 24	FY 2025 Plan	$ Change from Plan
Net Operating Revenue	**$ 79,547**	**$ 80,581**	**$ 1,034**	**$ 80,741**	**$ (160)**
Operating Expense as Reported by the Postal Service	89,465	89,782	317	87,432	2,350
Less: Amortization of CSRS Unfunded Liability	(3,245)	(3,122)	123	(3,200)	78
Amortization of FERS Unfunded Liability	(2,286)	(2,159)	127	(2,300)	141
Non-Cash Change to Workers' Compensation Liability	(2,164)	(972)	1,192	0	(972)
Net Operating Expense	**$ 81,770**	**$ 83,529**	**$ 1,759**	**$ 81,932**	**$ 1,597**
Interest Income	958	771	(187)	944	(173)
Interest Expense	560	548	(12)	590	(42)
Net Income (Loss) from Operations	**$ (1,825)**	**$ (2,725)**	**$ (900)**	**$ (837)**	**$ (1,888)**
Amortization of CSRS Unfunded Liability	3,245	3,122	(123)	3,200	(78)
Amortization of FERS Unfunded Liability	2,286	2,159	(127)	2,300	(141)
Non-Cash Change to Workers' Compensation Liability	2,164	972	(1,192)	0	972
Total Net Income/(Loss)	**$ (9,520)**	**$ (8,978)**	**$ 542**	**$ (6,337)**	**$ (2,641)**

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. ACR2025, Library Reference USPS-FY25-5, December 29, 2025 (USPS-FY25-5); Docket No. ACR2024, Library Reference USPS-FY24-5, December 30, 2024 (USPS-FY24-5); United States Postal Service, USPS Preliminary Financial Information (Unaudited), September 2025, November 17, 2025, FY 2025 Plan data from file "2025.11.14+September+2025+Monthly+Financial+Report+to+the+PRC" (Postal Service September 2025 PFI).

The Postal Service's FY 2025 net operating loss is $0.9 billion more than the FY 2024 net operating loss. Net operating loss occurs when the costs of running a business are not covered by revenue. Sustained net operating losses can indicate deterioration of the business. The primary reason for the deterioration is an increase in operating expenses of $1.8 billion.

Operating revenue increased by approximately $1 billion compared to FY 2024. Market Dominant revenue and Competitive revenue increased by $0.8 billion and $44 million, respectively.

Net operating expenses increased by $1.8 billion in FY 2025. The increase was largely caused by increases in compensation and other expenses, partially offset by the decline in purchased transportation. The contributing factors include wage increases (which include inflationary impacts on COLAs), increases in depreciation, and other miscellaneous expenses).[6]

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 2025 with FY 2024 revenue by class.

[6] Other miscellaneous expenses include maintenance, travel, and contingency accounts.

Table II-2
Revenue by Market Dominant Class,[7] FY 2024 and FY 2025 ($ in Millions)

			FY 2025 over FY 2024			FY 2024 over FY 2023	
	FY 2024	FY 2025	$ Change	% Change	FY 2023	$ Change	% Change
First-Class Mail	$ 25,622	$ 26,043	$ 421	1.6%	$ 24,807	$ 1,235	5.0%
USPS Marketing Mail	15,447	15,895	449	2.9%	15,140	755.4	5.0%
Periodicals	912	883	(29)	(3.1%)	923	(39.2)	(4.2%)
Package Services	906	925	19	2.1%	894	31.4	3.5%
Ancillary and Special Services	1,995	2,019	24	1.2%	1,875	144.0	7.7%
Subtotal Market Dominant Mail and Services Revenue	**$ 44,882**	**$ 45,765**	**$ 884**	**2.0%**	**$ 43,639**	**$ 2,127**	**4.9%**
Other	1,616	1,536	(80)	(4.9%)	2,202	(665)	(30.2%)
Total Market Dominant Mail and Services Revenue	**$ 46,498**	**$ 47,302**	**$ 804**	**1.7%**	**$ 45,840**	**$ 1,462**	**3.2%**

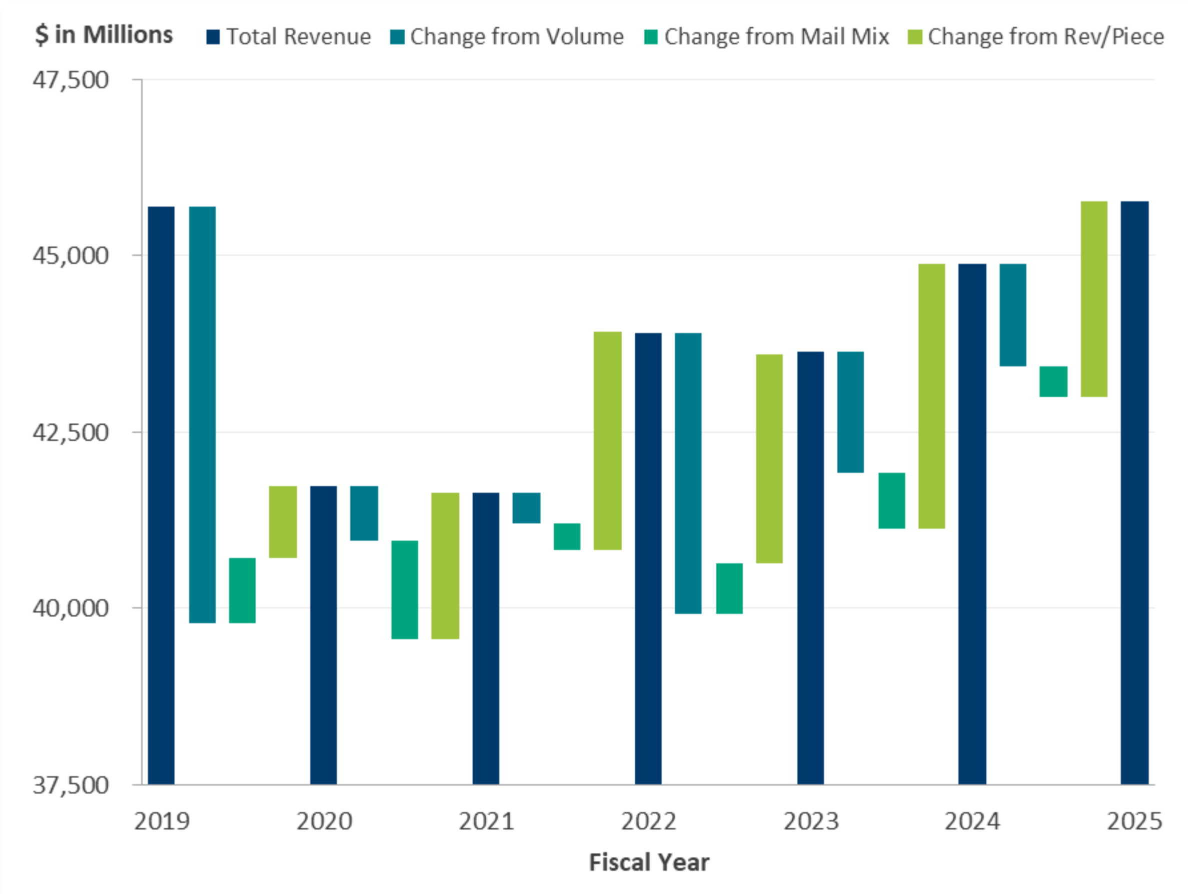
Decrease in revenue is denoted by ().
Numbers may not add across due to rounding.
Source: Docket No. ACR2025, Library Reference PRC-LR-ACR2025-1, March 27, 2026 (PRC-LR-ACR2025-1); Docket No. ACR2024, Library Reference PRC-LR-ACR2024-1, March 28, 2025 (PRC-LR-ACR2024-1); Docket No. ACR2023, Library Reference PRC-LR-ACR2023-1, March 28, 2024 (PRC-LR-ACR2023-1); (Collectively Postal Service's Product Finances, FY 23-25)

Market Dominant mail and services revenue increased by 2 percent from the prior year.[8] As shown in Table II-2, declines in Periodicals (3.1 percent) were fully offset by increases in First-Class Mail (1.6 percent), USPS Marketing Mail (2.9 percent), Package Services (2.1 percent), and Special Services (1.2 percent).

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 2019. 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.

[7] Other Market Dominant revenue includes appropriations, miscellaneous item revenue, and revenue foregone.
[8] Total Market Dominant Mail includes Other Revenue which includes appropriations, mail in transit, and other miscellaneous items.

Figure II-1
Change in Market Dominant Revenue Due to Changes in Mail Volume, Mail Mix, and Average Revenue per Piece, FY 2019-FY 2025 ($ in Millions)



Source: PRC derived from Docket No. ACR2019, Library Reference USPS-FY19-42, December 27, 2019; Docket No. ACR2020, Library Reference USPS-FY20-43, December 29, 2020; 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; Docket No. ACR2025, Library Reference USPS-FY25-43, December 29, 2025 (collectively, Postal Service RPW Report, FY 19–FY 25).

Competitive Product Revenue Compared to Prior Year

Total revenue from Competitive products increased slightly by $17 million, or 0.1 percent, compared to FY 2024, resulting from rate increases in January and July of FY 2025.[9] Table II-3 compares revenue for Competitive products between FY 2025 and FY 2024.

[9] Postal Service FY 2025 Form 10-K at 21.

Table II-3
Competitive Product Revenue, FY 2024 and FY 2025 ($ in Millions)

	FY 2024	FY 2025	FY 2025 over FY 2024 $ Change	% Change
Priority Mail	$ 7,106	$ 5,691	$ (1,415)	(19.9%)
Total Ground	23,549	25,201	1,652	7.0%
Priority Mail Express	642	609	(33)	(5.1%)
International	1,217	1,057	(160)	(13.2%)
Ancillary and Special Services	1,324	1,298	(26)	(2.0%)
Subtotal Competitive Products Mail and Services Revenue	**$ 33,838**	**$ 33,855**	**$ 17**	**0.1%**
Other Revenue	169	196	27	16.0%
Total Competitive Products Mail and Services Revenue	**$ 34,007**	**$ 34,051**	**$ 44**	**0.1%**

Decrease in revenue denoted by ().
Numbers may not add across due to rounding.
Source: USPS Product Finances, FY 24-25.

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 expenses and total expenses. As shown in Table II-4, in FY 2025, total expenses increased by $0.3 billion (0.4%), while operating expenses increased by approximately $1.8 billion (2.2%). The increase in operating expenses was the result of increases in salaries and benefits, depreciation, and other expenses.

Table II-4
Total Expenses, FY 2024 and FY 2025 ($ in Millions)

	FY 2024	FY 2025	$ Change	% Change	% of Total Expenses FY 2024	% of Total Expenses FY 2025
Compensation & Benefits Expenses:						
Salaries and Benefits	$ 58,852	$ 60,539	$ 1,687	2.9%	65.8%	67.4%
Workers' Compensation - Cash Outlays	1,635	1,727	92	5.6%	1.8%	1.9%
Other Personnel Related	121	303	182	150.4%	0.1%	0.3%
Subtotal Personnel Expenses Excluding Systemwide Personnel Expenses	**$ 60,608**	**$ 62,569**	**$ 1,961**	**3.2%**	**67.7%**	**69.7%**
Transportation	8,815	8,393	(422)	(4.8%)	9.9%	9.3%
Other Expenses	12,346	12,567	221	1.8%	13.8%	14.0%
Total Operating Expenses	**$ 81,769**	**$ 83,529**	**$ 1,760**	**2.2%**	**91.4%**	**93.0%**
Systemwide Personnel Expenses:						
Non-Cash Change to Workers' Compensation Liability	2,165	972	(1,193)	NMF	2.4%	1.1%
Amortization of FERS Unfunded Liability	2,286	2,159	(127)	(5.6%)	2.6%	2.4%
Amortization of CSRS Unfunded Liability	3,245	3,122	(123)	(3.8%)	3.6%	3.5%
Total Expenses	**$ 89,465**	**$ 89,782**	**$ 317**	**0.4%**	**100.0%**	**100.0%**

Decrease in expenses is denoted by (). NMF denotes not meaningful.
Numbers may not add across due to rounding.
Source: Postal Service September 2025 PFI Report, file " 2025.11.14+September+2025+Monthly+Financial+Report+to+the+PRC", November 17, 2025; 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 Report).

PERSONNEL EXPENSES

The majority of Postal Service expenses are personnel related. In FY 2025, operating personnel expenses, which exclude the non-cash adjustment to workers' compensation and amortization costs of unfunded retirement liabilities, made up 69.7 percent of total expenses.[10] Including the non-cash adjustments, labor costs account for 76.7 percent of total expenses.

LABOR COSTS ACCOUNT FOR 76.7% OF TOTAL EXPENSES.

Table II-5 shows that total personnel operating expenses for FY 2025 increased by approximately $2 billion, or about 3.3 percent, from FY 2024, resulting from increases in salaries, retirement and employee health benefits. Total non-operating personnel expenses, including the change in non-cash workers' compensation liability[11] and other non-

[10] Subtotal personnel expenses ($62.6 billion) as a percentage of total expenses ($89.8 billion).
[11] Workers' compensation expense consists of cash payments, miscellaneous expenses, and the net increase (decrease) in the workers' compensation liability.

operating retirement expenses decreased by around $1.5 billion from FY 2024. The net effect of these changes was an increase of $0.5 billion in total personnel expenses.

Table II-5
Breakdown of Total Personnel Expenses, FY 2024 and FY 2025 ($ in Millions)

	FY 2024	FY 2025	$ Change	% Change
Total Compensation	**$ 44,058**	**$ 45,310**	**$ 1,252**	**2.8%**
Retirement	8,969	9,321	352	3.9%
Health Benefits-Current Employees	5,583	5,667	84	1.5%
Workers' Compensation - Cash Outlays	1,635	1,727	92	5.6%
Other Compensation	363	544	181	49.9%
Total Personnel Operating Expenses	**$ 60,608**	**$ 62,569**	**$ 1,961**	**3.2%**
Non-Cash Change to Workers' Compensation Liability	2,165	972	(1,193)	NMF
Amortization of FERS Unfunded Liability	2,286	2,159	(127)	(5.6%)
Amortization of CSRS Unfunded Liability	3,245	3,122	(123)	(3.8%)
Total Personnel Expenses	**$ 68,304**	**$ 68,822**	**$ 518**	**0.8%**

Decrease in expenses is denoted by (). NMF denotes not meaningful figures.
Numbers may not add across due to rounding.
Source: Postal Service September 2025 PFI Report, file " 2025.11.14+September+2025+Monthly+Financial+Report+to+the+PRC"; Postal Service September 2024 PFI Report, file " 2024.11.14+September+2024+Monthly+Financial+Report+to+the+PRC".

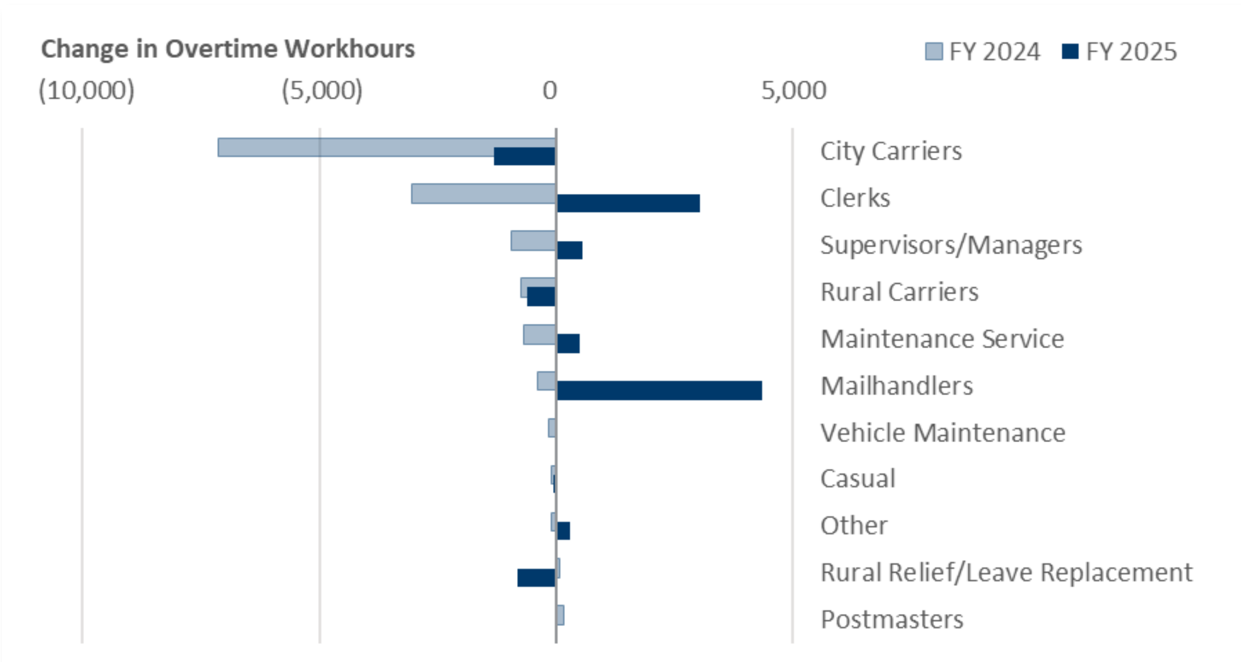
THE TOTAL COMPENSATION IN FY 2025 INCREASED BY APPROXIMATELY $1.3 BILLION COMPARED TO FY 2024 PRIMARILY DUE TO CONTRACTUAL WAGE INCREASES PARTIALLY OFFSET BY A DECLINE IN WORKHOURS.

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, the number of overtime workhours, and the composition of the workforce. The total compensation in FY 2025 increased by approximately $1.3 billion compared to FY 2024, 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 due to a higher rate of economy-wide inflation, adding $650 million to salaries in FY 2025. Postal Service FY 2025

Form 10-K at 13. Overtime hours increased by approximately 5 million while straight-time hours decreased by 17 million. *Id.* at 27.

Figure II-2 illustrates the change in overtime workhours by craft. Overtime hours increased for clerks, supervisors, maintenance, mailhandlers, and other, partially offset by declines for city carriers, rural carriers, and rural relief. According to the Postal Service, total workhours decreased by approximately 12 million hours, resulting in part from an effort to reduce workhours in line with declining volumes. Postal Service FY 2025 Form 10-K at 27.

Figure II-2
Change in Overtime Workhours, FY 2024 and FY 2025[12]



Source: PRC derived from United States Postal Service, National Payroll Hours Summary Report, Pay Period 20, 2024, September 27, 2024 (National Payroll Hours Summary PP20, 2024); United Stated 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 2023-FY 2025.

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

Table II-6
Postal Service Employee Complement, FY 2023–FY 2025

			FY 2025 over FY 2024		FY 2024 over FY 2023
	FY 2024	FY 2025	Change	FY 2023	Change
Career Employees	533,346	530,925	(2,421)	525,092	8,254
Postal Support Employees (PSE)	18,258	15,045	(3,213)	22,878	(4,620)
City Carrier Assistants (CCA)	29,926	23,944	(5,982)	33,371	(3,445)
Mailhandler Assistants (MHA)	5,972	5,522	(450)	7,237	(1,265)
Other Non-Career	51,795	48,764	(3,031)	51,047	748
Total On-Roll Employees	**639,297**	**624,200**	**(15,097)**	**639,715**	**(328)**

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, 2025, September 26, 2025; 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. (Collectively Postal Service ORPES PP20 2023-2025)

In FY 2025, the Postal Service's total workforce decreased by 15,000, with decreases in both career employees (2,400) and non-career workforce employees (12,700).[13] Postal Service FY 2025 Form 10-K at 26.

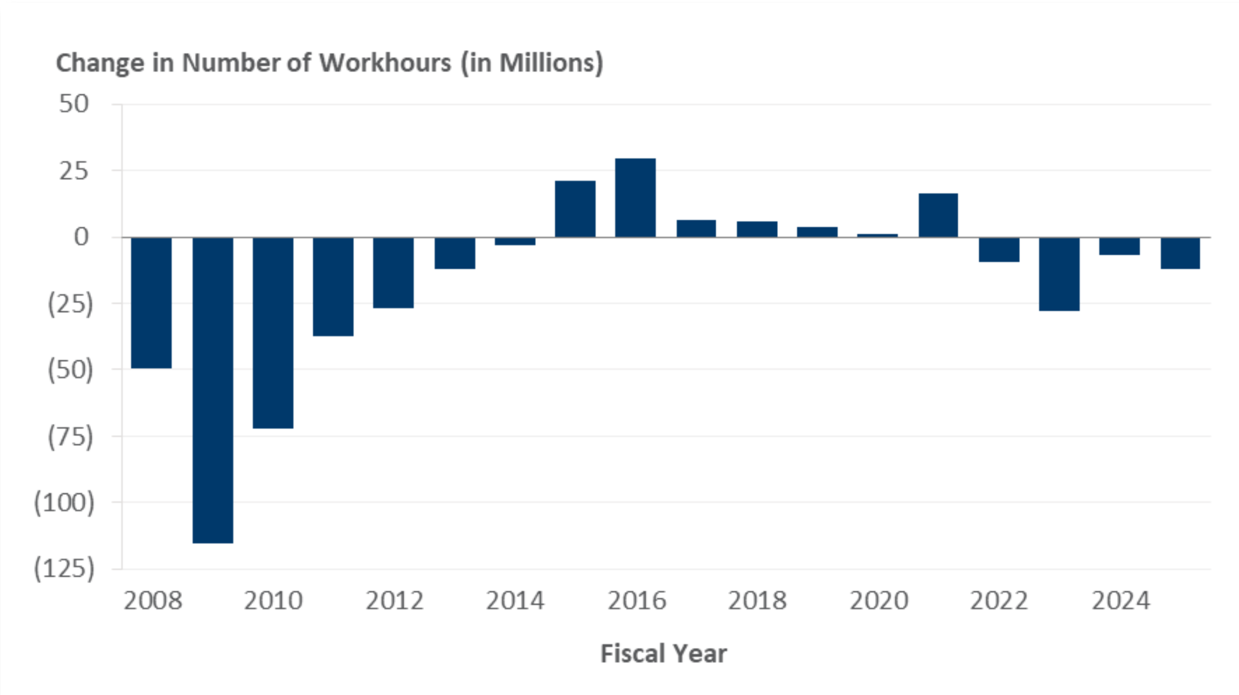
IN FY 2025, THE POSTAL SERVICE'S TOTAL WORKFORCE DECREASED BY APPROXIMATELY 15 THOUSAND

In April 2025, the Postal Service reached an agreement with the National Rural Letter Carriers Association (NRLCA),[14] which covers a 3-year period from May 2024 to May 2027.[15] In November 2024, the Postal Service reached a final agreement with the American Postal Workers Union, AFL-CIO (APWU), that expires in September 2027. In March 2023, a collective bargaining agreement was reached with the National Postal Mail Handlers Union, AFL-CIO (NPMHU), that expired in September 2025. Negotiations between the Postal Service and the NPMHU are ongoing. *Id.* at 65.

[13] Other non-career positions include casuals, non-bargaining temporary positions, rural carrier substitutes, postmaster relief and postal support employees.
[14] Postal Service FY 2022 Form 10-K at 63.
[15] National Letter Carriers' Association, NRLCA Reaches Tentative Agreement with USPS for Three-Year Contract, April 18, 2025, 041825 NRLCA Reaches Tentative Agreement with USPS Press Release.

During FY 2025, total workhours decreased by approximately 12 million. This was the fourth year in a row that workhours decreased.[16] Figure II-3 illustrates the change in total workhours since FY 2008.

Figure II-3
Change in Total Workhours, FY 2008–FY 2025



Source: Postal Service FY 2025 Form 10-K; 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; 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 2025)

An analysis of workhours by function shows that in FY 2025, workhours decreased in Customer Service (4 percent), City Delivery (2.1 percent), and Other (3.5 percent)

[16] Postal Service FY 2025 Form 10-K at 27.

Workhours increased in Mail Processing (0.1 percent), Rural Delivery (0.9 percent), Plant & Equipment (2 percent), Vehicle Maintenance (7.3 percent).[17]

Table II-7
Workhours by Function (Thousands of Workhours), FY 2023–FY 2025

			FY 2025 over FY 2024		FY 2024 over FY 2023
	FY 2024	**FY 2025**	**% Change**	**FY 2023**	**% Change**
Mail Processing	189,343	189,563	0.1%	196,001	(3.4%)
Customer Service	146,647	140,761	(4.0%)	149,879	(2.2%)
Delivery Service:					
City Delivery	417,647	408,706	(2.1%)	417,608	0.0%
Rural Delivery	222,297	224,217	0.9%	222,446	(0.1%)
Maintenance:					
Plant & Equipment	60,084	61,290	2.0%	58,677	2.4%
Vehicle	33,150	35,567	7.3%	32,071	3.4%
Other	77,477	74,731	(3.5%)	76,954	0.7%
Total Workhours	**1,146,644**	**1,134,835**	**(1.0%)**	**1,153,636**	**(0.6%)**

Decrease in amounts is denoted by ().
Numbers may not add across due to rounding.
Source: Docket No. ACR2025, Library Reference USPS-FY25-7, December 29, 2025; Docket No. ACR2024, Library Reference USPS-FY24-7, December 30, 2024 (USPS-FY24-7); Docket No. ACR2023, Library Reference USPS-FY23-7, December 29, 2023 (USPS-FY23-7) (Collectively USPS CS3 Cost Pools, FY 23-FY 25)

The Postal Service defines productive hourly wage rates as the labor costs per work hour by cost segment/craft.[18] 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.[19] The productive hourly wage rate for all categories except Rural Carriers increased compared to the prior year.

[17] The "Other" category represents Operations Support, Finance, Human Resources, Administration, Training, and Rehabilitation workhours.
[18] Docket No. ACR2025, Library Reference USPS-FY25-17, December 29, 2025 (USPS-FY25-17).
[19] 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 2023–FY 2025

			FY 2025 over FY 2024		FY 2024 over FY 2023
	FY 2024	FY 2025	% Change	FY 2023	% Change
Supervisors & Technicians	$ 64.27	$ 66.39	3.3%	$ 61.30	4.8%
Clerks	49.89	51.27	2.8%	48.20	3.5%
Mailhandlers	45.42	46.93	3.3%	44.17	2.8%
City Delivery Carriers	47.74	51.87	8.7%	48.37	(1.3%)
Vehicle Drivers	56.64	56.90	0.5%	55.27	2.5%
Rural Carriers	44.43	44.18	(0.6%)	43.90	1.2%
Building Services	53.40	54.27	1.6%	52.21	2.3%
Operating Equipment	66.35	66.43	0.1%	65.62	1.1%
Building Equipment	61.48	63.10	2.6%	59.40	3.5%
Motor Vehicle Service	62.34	63.12	1.2%	60.75	2.6%
City and Rural Carriers	46.54	48.94	5.1%	46.74	(0.4%)
Headquarters	83.88	90.74	8.2%	78.93	6.3%

Decrease in amounts is denoted by ().
Numbers may not add across due to rounding.
Source: USPS CS3 Cost Pools, FY 23-FY 25.

Workers' compensation expenses decreased by $1.1 billion in FY 2025. 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 2025, the non-cash component of long-term workers' compensation expenses decreased by $1.1 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 2024 and FY 2025 ($ in Millions)

	FY 2024	FY 2025	$ Change	% Change
Medical and Compensation Claims Payments	$ 1,538	$ 1,627	$ 89	5.8%
Administrative Fee	97	100	3	3.1%
Cash Outlays	**$ 1,635**	**$ 1,727**	**$ 92**	**5.6%**
(Decrease) Increase in Long Term Workers' Compensation Obligation	2,164	972	(1,192)	NMF
Workers' Compensation Expense	**$ 3,799**	**$ 2,699**	**$ (1,100)**	**NMF**

Decrease in expenses is denoted by ().
Numbers may not add across due to rounding.
NMF = Not Meaningful Figure
Source: PRC derived from Postal Service FY 2025 Form 10-K at 35 and 69.

NON-PERSONNEL EXPENSES

Transportation is the largest non-personnel expense. It accounts for 9 percent of total expenses. Table II-10 shows transportation expenses by category.

Table II-10
Transportation Expenses by Category, FY 2024 and FY 2025 ($ in Millions)

	FY 2024	FY 2025	$ Change	% Change
Highway Transportation	$ 6,020	$ 6,073	$ 53	0.9%
Air Transportation	2,433	1,998	(435)	(17.9%)
International Transportation	324	254	(70)	(21.6%)
Other Transportation	38	68	30	78.9%
Total Transportation	**$ 8,815**	**$ 8,393**	**$ (422)**	**(4.8%)**

Decrease in expenses is denoted by ().
Numbers may not add across due to rounding.
Source: PRC derived from Postal Service FY 2025 Form 10-K at 36.

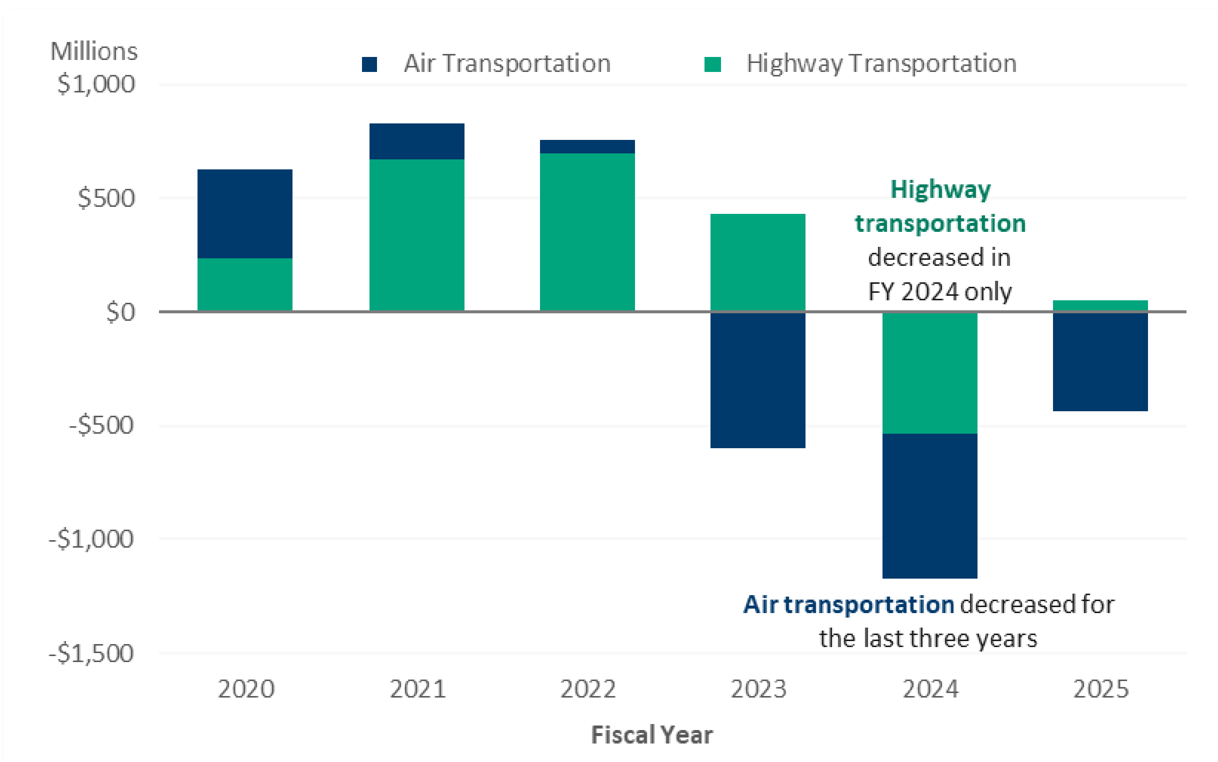
Total transportation expenses decreased for a third consecutive year, by 4.8 percent from FY 2024. Highway transportation increased slightly by 0.9 percent compared to last year, primarily due to an increased reliance on freight auction[20] because of network realignments. According to the Postal Service, freight auction trips offer needed flexibility but have a higher average rate per mile. Postal Service FY 2025 Form 10-K at 36. Air

[20] Freight auctions are short-term contract awards that provide flexibility but generally have higher rates per mile. Form 10-K at 36.

transportation expenses decreased by 17.9 percent compared to last year resulting from a continued shift in package volume from air to highway transportation. *Id.*

As part of its Delivering for American Plan, the Postal Service has reduced its purchased transportation expenses by approximately 18.4 percent from the highest level in FY 2022 ($10.3 billion). In FY 2023, air transportation decreased by $0.6 billion resulting from lower package volumes and a shift from highway transportation. In FY 2024, the Postal Service reduced highway transportation expenses ($0.5 billion) as a result of network optimization efforts, and air transportation expenses ($0.6 billion) by moving mail from air to ground routes. The increased reliance on freight auction in FY 2025 resulted in an increase in highway transportation and less of a decline in total transportation expenses compared to FY 2024. Figure II-4 below compares the changes in highway and air transportation expenses and the change in total transportation expenses from FY 2020 through FY 2025.

Figure II-4
Change in Highway and Air Transportation Expenses, FY 2020 – FY 2025



Source: Postal Service Form 10-K, FY 2020 – FY 2025.

Table II-11 shows all other non-personnel-related expenses increased by $0.2 billion in FY 2025 resulting from increases in supplies and services, depreciation, rents and utilities, vehicle maintenance services, and other miscellaneous expenses. Postal Service FY 2025 Form 10-K at 36.

Table II-11
Other Non-Personnel Expenses, FY 2024 and FY 2025 ($ in Millions)

	FY 2024	FY 2025	$ Change	% Change
Supplies and Services	$ 3,407	$ 3,444	$ 37	1.1%
Depreciation and Amortization	1,997	2,238	241	12.1%
Rent and Utilities	2,109	2,173	64	3.0%
Vehicle Maintenance Services	695	721	26	3.7%
Delivery Vehicle Fuel	717	661	(56)	(7.8%)
Information Technology and Communications	1,363	1,147	(216)	(15.8%)
Rural Carrier Equipment Maintenance	607	612	5	0.8%
Miscellaneous Other	1,451	1,571	120	8.3%
Total Other Non-Personnel Expenses	**$ 12,346**	**$ 12,567**	**$ 221**	**1.8%**

Decrease in expenses is denoted by ().
Numbers may not add across due to rounding.
Source: PRC derived from Postal Service FY 2025 Form 10-K at 36.

Comparison of Postal Service Actual Results to Operating Plan

The Postal Service annually develops an integrated financial plan that includes forecasts of revenue and expenses for the following year.[21] This section compares the Postal Service's forecasts with actual results. The Postal Service's FY 2025 Operating Plan, as outlined in its 2025 Integrated Financial Plan (IFP), projected a net loss of $6.9 billion in FY 2025.[22] The actual total net loss of $9 billion was $2.1 billion more than the Postal Service estimated. Total revenue was $1.6 billion less than planned. Total operating expenses were $0.1 billion more than planned, resulting primarily from higher-than-expected purchased transportation. Table II-12 compares actual FY 2025 results with the estimated results in the Operating Plan.

[21] Beginning in FY 2025, the Postal Service no longer includes revenue and volume forecasts by mail class.
[22] United States Postal Service, Revised Integrated Financial Plan, Fiscal Year 2025, December 13, 2024, at 1 (Postal Service FY 2025 IFP); United States Postal Service, USPS Preliminary Financial Information (unaudited), September 2025, November 17, 2025 (September 2025 PFI)

Table II-12
Actual and Operating Plan Income Statements, FY 2025 ($ in Billions)

FY 2025	Actual	Operating Plan	$ Change
Total Revenue	$ 81.4	$ 82.9	$ (1.6)
Total Operating Expense	84.1	84.0	0.1
Net Operating Income/(Loss)	**$ (2.7)**	**$ (1.1)**	**$ (1.6)**
Non-Cash Change to Workers' Compensation	1.0		1.0
FERS Unfunded Liability Amortization	2.2	2.4	(0.2)
CSRS Unfunded Liability Amortization	3.1	3.4	(0.3)
Total Net Loss (excluding RHB Unfunded Liability)	**$ (9.0)**	**$ (6.9)**	**$ (2.1)**

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 2025 PFI, file “" 2025.11.14+September+2025+Monthly+Financial+Report+to+the+PRC”.

As seen in Table II-13, total mail revenue was $1.5 billion less than anticipated. USPS Marketing Mail and Other Mail revenue were more than projected while Competitive and Other Parcels[23], and International were less than projected. First-Class Mail and Periodicals revenue was on target with FY 2025 projections.

[23] Competitive and Other Parcels mail includes Competitive packages and Market Dominant Package Service mail.

Table II-13
Actual and Operating Plan Revenue by Categories, FY 2025 ($ in Billions)[24]

FY 2025	Actual	Projected	$ Change
First-Class Mail	$ 25.8	$ 25.8	$ -
Periodicals	0.9	0.9	-
USPS Marketing Mail	15.7	15.4	0.3
Other	5.1	4.8	0.3
Competitive and Other Parcels	32.6	34.6	(2.0)
International	1.3	1.4	(0.1)
Total Revenue	**$ 81.4**	**$ 82.9**	**$ (1.5)**

Decrease in revenue is denoted by ().
Numbers may not add across due to rounding.
Source: USPS-FY25-17, United States Postal Service, United States Postal Service Fiscal Year 2025 Annual Report, December 29, 2025, at 53 (Postal Service FY 2025 Annual Report).

Total volume was more than expected, primarily due to higher-than-expected volume in USPS Marketing Mail. Table II-14 compares volumes for FY 2025 with the volume projected in the Operating Plan.

[24] "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 2025 estimates.

Table II-14
Actual and Operating Plan Volume by Categories, FY 2025 (in Billions)

FY 2025	Actual	Operating Plan	Change
First-Class Mail	42.0	42.0	0.0
Periodicals	2.4	2.5	(0.1)
USPS Marketing Mail	56.8	54.3	2.5
Domestic Special Services	0.7	0.4	0.3
Competitive and Other Parcels	6.5	7.3	(0.8)
International	0.1	0.3	(0.2)
Total Volume	**108.6**	**106.8**	**1.8**

Decrease is denoted by ().
Numbers may not add due to rounding.
Source: Docket No. ACR2025, Notice of the United States Postal Service of Filing Its Response to Chairman's Information Request No. 13, February 26, 2026, file "CHIR+13+Response_ACR2025_2.26.2026" at response a.

Total operating expenses were $0.1 billion more than anticipated as a result of compensation and benefits expenses which were $0.4 billion higher than expenses due to inflationary effects on COLAs. Postal Service FY 2025 Form 10-K at 26. Salaries and benefits were expected to increase by $1.4 billion in FY 2025; actual salaries and benefits were $1.7 billion higher despite a decline in workhours of approximately 12 million.

The increase in salaries and benefits costs was the result of inflationary impacts linked to CPI-W.[25] Actual and projected COLA increases, beginning in FY 2021, have been larger than the historical increases over the past decade due to economy-wide inflation. COLA-based adjustments increased compensation expenses by $0.7 billion in FY 2025. *Id.* at 13.

Excluding the non-cash workers' compensation adjustment,[26] non-operating expenses were $0.5 billion less than expected resulting from a decrease in both the CSRS and FERS unfunded amortization.

Total non-personnel expenses were $0.3 billion less than projected as a result of lower than anticipated supplies and services and other expenses.

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[25] Additional information regarding CPI-W trends over time can be found here, Consumer Price Index for All Urban Wage Earners and Clerical Workers: All Items in U.S. City Average (CWUR0000SA0) | FRED | St. Louis Fed.

[26] 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 2025 IFP at 1.

Table II-15
Actual and Operating Plan Expenses, FY 2025 ($ in Billions)

FY 2025		Actual		Operating Plan		$ Change
Compensation & Benefits	$	62.6	$	62.2	$	0.4
Transportation		8.4		8.2		0.2
Supplies & Services		3.4		3.6		(0.2)
Depreciation and Amortiation		2.2		2.2		0.0
Rent/Utilities/Other		6.9		7.2		(0.3)
Total Operating Expenses	**$**	**83.5**	**$**	**83.4**	**$**	**0.1**
Workers' Compensation Adj.		1.0		0.0		1.0
FERS Unfunded Amortization		2.2		2.4		(0.2)
CSRS Unfunded Amortization		3.1		3.4		(0.3)
Total Expenses	**$**	**89.8**	**$**	**89.2**	**$**	**0.6**

Decrease in amounts is denoted by ().
Numbers may not add across due to rounding.
Source: Postal Service September 2025 PFI Report at 3; Postal Service FY 2025 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 2025. 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 because some postal expenses, such as labor, retirement, and workers' compensation, are impacted by cost indexes other than inflation.

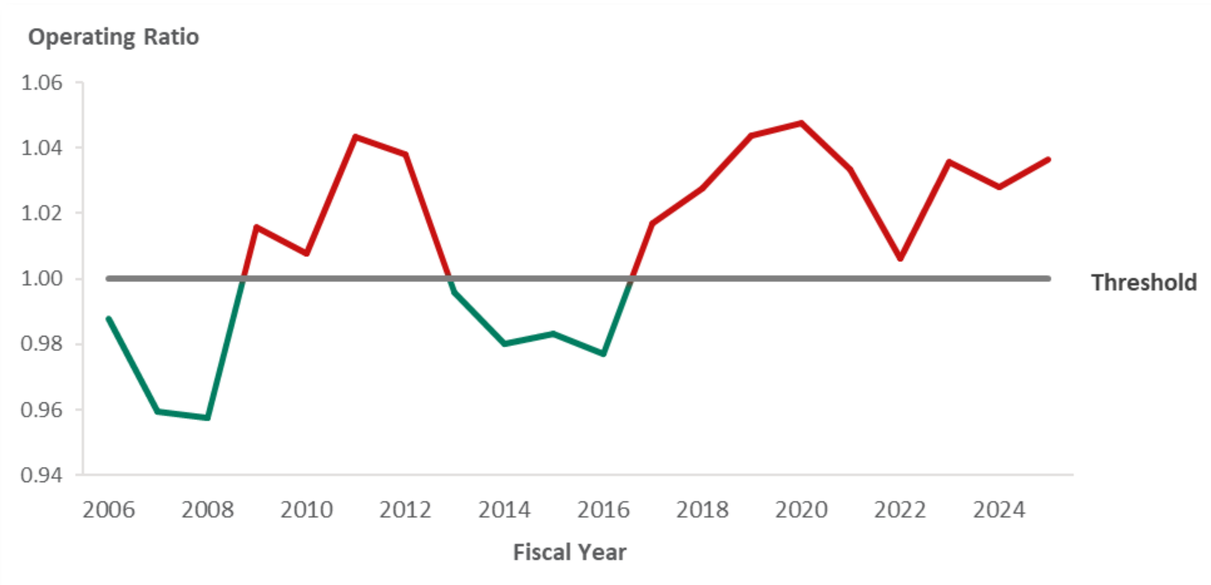
OPERATING RATIO

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.[27] In the period reflected in Figure II-5, 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

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

indicates an operating profit and the Postal Service's capability to reduce its operating expenses while generating revenue. In FY 2020, both operating revenue and operating expenses were the highest they had been in more than a decade. This led to the highest operating ratio in that same time frame. In FY 2021 and FY 2022, the operating ratio declined as growth in operating revenue outpaced growth in 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. In FY 2025, the operating ratio increased to 1.04 again as operating expenses increased more than revenue.

Figure II-5
Operating Ratio Trend FY 2006–FY 2025

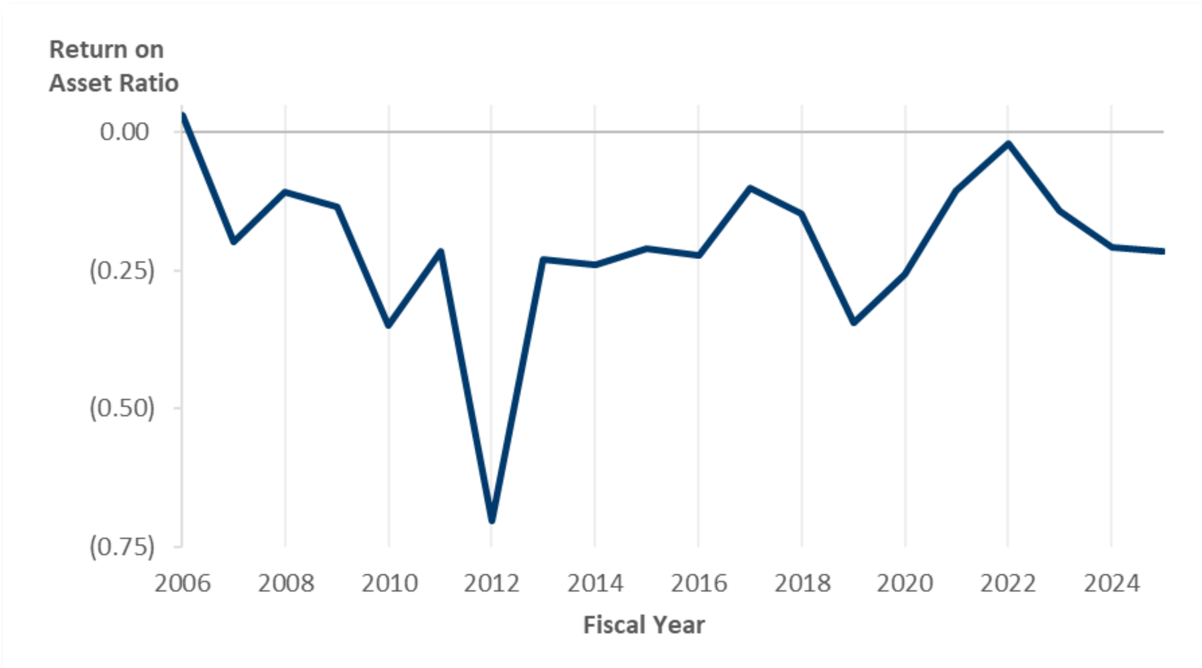


Source: PRC derived from Postal Service Form 10-K, FY 2008–FY 2025; United States Postal Service, Form 10-K FY 2007, November 20, 2007 (Collectively Postal Service Form 10-K, FY 2007-FY2025); United States Postal Service, 2006 United States Postal Service Annual Report, September 30,2006 (Postal Service FY 2006 Annual Report)

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-6 shows the Postal Service's return on assets since FY 2006.

Figure II-6
Return on Assets Trend FY 2006–FY 2025



Source: PRC derived from Postal Service Form 10-K, FY 2007–FY 2025; Postal Service FY 2006 Annual Report.

The Postal Service's total assets are cash and cash equivalents; receivables; and property, plant, and equipment. At the end of FY 2025, the Postal Service had a negative return on assets ratio of 0.22, a slight decline compared to the prior year's ratio of negative 0.21. A decline in cash and cash equivalents and short-term investments offset the increase in capital investments in property, plant and equipment. The improvement in FY 2025 total net loss was the result of an increase in revenue. The total net loss of $9 billion for FY 2025 was primarily the result of compensation increases compared to the prior year.

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.[28] The sharp decline in return on assets in FY 2012 was largely the result of two retiree health benefits prefunding payments totaling $11.1 billion.

[28] Postal Service Form 10-K, Balance Sheet, FY 2007–FY 2010.

The improvement in FY 2014 through FY 2016 was primarily the result of revenue generated from the exigent surcharge[29] and 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, 2024 (FY 2024) and September 30, 2025 (FY 2025). Table II-16 compares certain categories in the Postal Service's asset and liability structure for FY 2024 with FY 2025.

[29] *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 2024 and FY 2025 ($ in Millions)

				% of Total Assets	
Assets	**FY 2024**	**FY 2025**	**$ Change**	**FY 2024**	**FY 2025**
Cash and Cash Equivalents (includes Restricted Cash)	$ 6,622	$ 11,697	$ 5,075	14.5%	28.0%
Short-Term Investments	9,513	-	(9,513)	20.9%	0.0%
Restricted Investments	682	-		1.5%	0.0%
Receivables	1,387	1,325	(62)	3.0%	3.2%
Supplies and Prepayments	309	411	102	0.7%	1.0%
Total Current Assets	18,513	13,433	(5,080)	40.6%	32.2%
Noncurrent Assets	27,054	28,304	1,250	59.4%	67.8%
Total Assets	**$ 45,567**	**$ 41,737**	**$ (3,830)**	**100.0%**	**100.0%**

				% of Total Liabilities	
Liabilities	**FY 2024**	**FY 2025**	**$ Change**	**FY 2024**	**FY 2025**
Short-Term Debt	$ -	$ 700	700	0.0%	0.8%
Deferred Revenue-Prepaid Postage	2,884	2,925	41	3.7%	3.5%
Other Current Liabilities	38,076	42,035	3,959	48.7%	50.4%
Total Current Liabilities	40,960	45,660	4,700	52.4%	54.8%
Workers' Compensation Costs, Noncurrent	14,746	15,721	975	18.9%	18.9%
Long-Term Debt	15,000	14,300	(700)	19.2%	17.2%
Other Noncurrent Liabilities	7,493	7,666	173	9.6%	9.2%
Total Noncurrent Liabilities	37,239	37,687	448	47.6%	45.2%
Total Liabilities	**$ 78,199**	**$ 83,347**	**$ 5,148**	**100.0%**	**100.0%**

Decrease in amounts is denoted by ().
Numbers may not add across due to rounding.
Source: Postal Service FY 2025 Form 10-K at 47.

At the end of FY 2025, total assets decreased by $3.8 billion compared to the same period last year. Increases in cash and property, plant and equipment were offset by decreases in short-term investments.[30] 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 2025 totaled $83.3 billion, 54.8 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 $31.1 billion at the end of FY 2025. This obligation is 68.1 percent of current liabilities. Long-term liabilities consist mainly of workers' compensation liability ($15.7 billion) and the total debt owed to the Federal Financing Bank ($14.3 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 2025, the Postal Service recorded a $41.6 billion net deficit, consisting of an accumulated deficit of $57.7 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[31] and the $3.0 billion in funds the Postal Service received in FY 2022 as part of the Inflation Reduction Act of 2022.

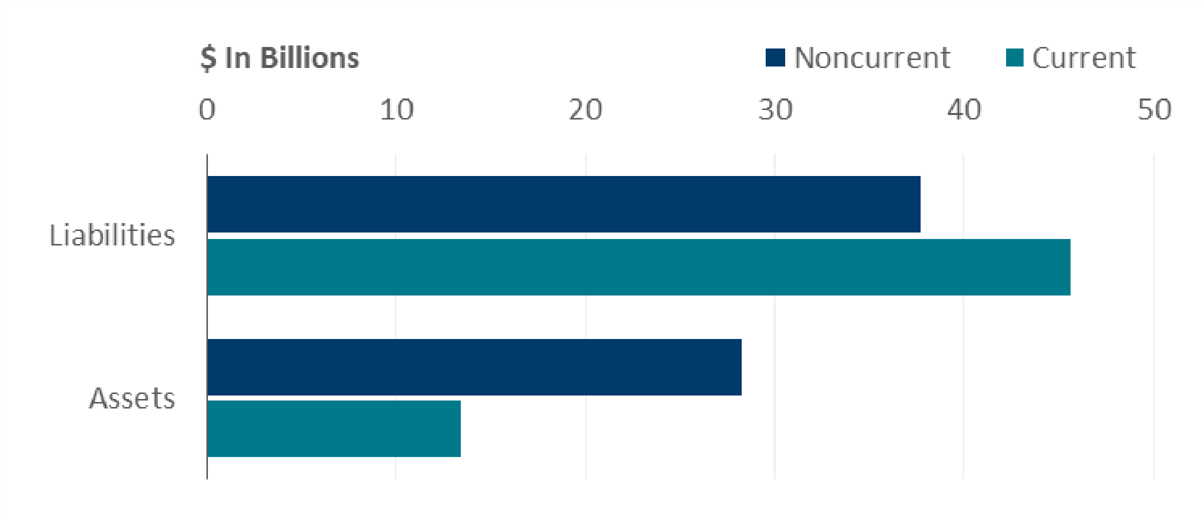
Figure II-7 shows the mix of the Postal Service's asset and liability structure as of September 30, 2025. The shortage of current assets (32.2 percent of total assets) to cover current liabilities (54.8 percent of total liabilities) adversely affects the Postal Service's financial condition. In FY 2025, the Postal Service did not have a sufficient amount of

[30] In FY 2025, the Postal Service invested excess cash not immediately necessary for operations in the amount of $3 billion and restricted cash in the amount of $0.6 billion in Treasury bills of various maturities ranging between four months to one year. Postal Service FY 2025 Form 10-K at 38.

[31] 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 and $49 million), respectively.

current assets to pay for current liabilities. Non-current assets comprise 67.8 percent of total assets, while non-current liabilities comprise only 45.2 percent of total liabilities.

Figure II-7
Comparison of Postal Service's FY 2025 Current and Noncurrent Assets and Liabilities



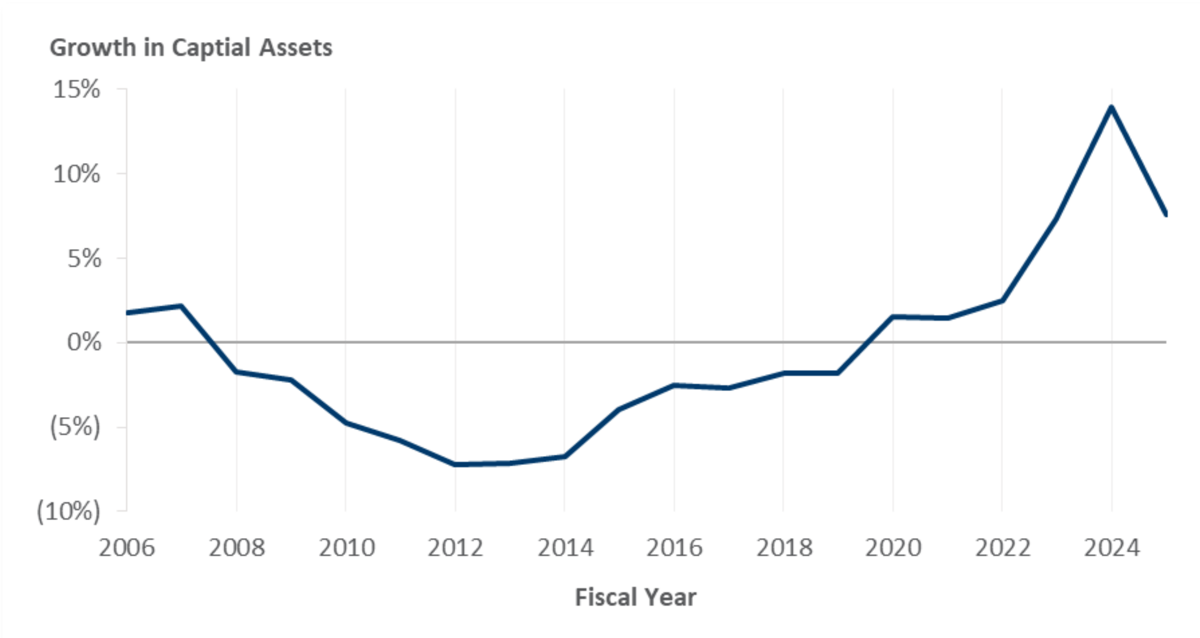
Source: PRC derived from Postal Service FY 2025 Form 10-K at 47.

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 2025, the Postal Service's working capital was negative $32.2 billion.

Assets

Since 2008, Postal Service capital investments have not kept pace with depreciation and amortization. Aging capital assets and internal restrictions on capital investment primarily driven by liquidity concerns, 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 approximately 43 percent from FY 2009 through FY 2011, from an annual average of approximately $1.5 billion to an annual average of approximately $0.9 billion in FY 2012 through FY 2015, a reduction. 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-8
Percent Change in Capital Assets, FY 2006 - FY 2025



Source: PRC derived from Postal Service Form 10-K, FY 2007–FY 2025; Postal Service FY 2006 Annual Report.

In FY 2024, the Postal Service recorded its highest growth in capital, 14.6 percent, since FY 2006. In FY 2025 the growth in capital was 7.6 percent. The Postal Service purchased $3.6 billion in property and equipment in FY 2025, which was partially offset by total property, plant, and equipment depreciation of $2.2 billion.

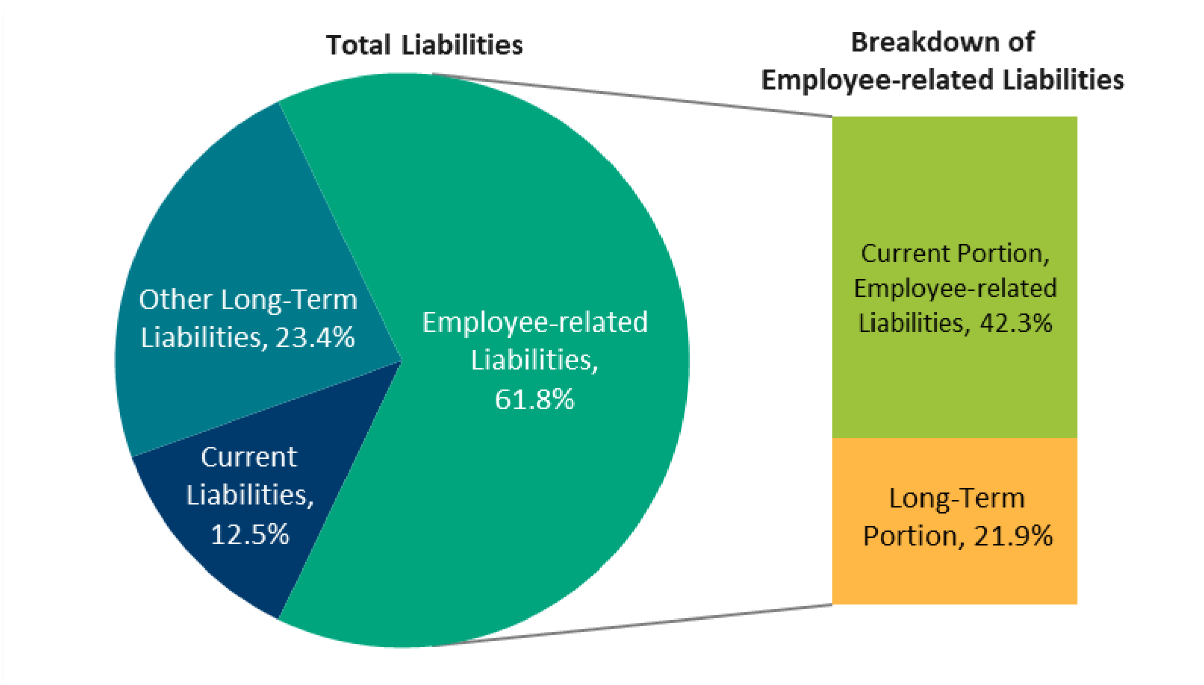
In September 2022, the Postal Service received $3.0 billion under the Inflation Reduction Act of which $1.3 billion is available for the purchase of zero-emission vehicles with the additional $1.7 billion available for the purchase and installation of infrastructure to support those vehicles. At the end of FY 2025, the Postal Service held approximately $1.5 billion in restricted cash and $0.5 billion in restricted investments associated with this funding. Postal Service FY 2025 Form 10-K at 61.

LIABILITIES

In FY 2025, total liabilities increased by $5.1 billion, resulting from increases in retirement benefit liabilities, workers' compensation, and long-term debt.

The long-term portion of workers' compensation increased by $1 billion in FY 2025. This actuarial adjustment is highly sensitive to discount and inflation rates and to new and existing claims. Figure II-9 shows the current breakdown of the Postal Service's liabilities as of September 30, 2025.

Figure II-9
Postal Service Liabilities Structure, September 30, 2025



Source: PRC derived from Postal Service FY 2025 Form 10-K at 47.

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 Civil Service Retirement and Disability Fund (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 2024 and FY 2025

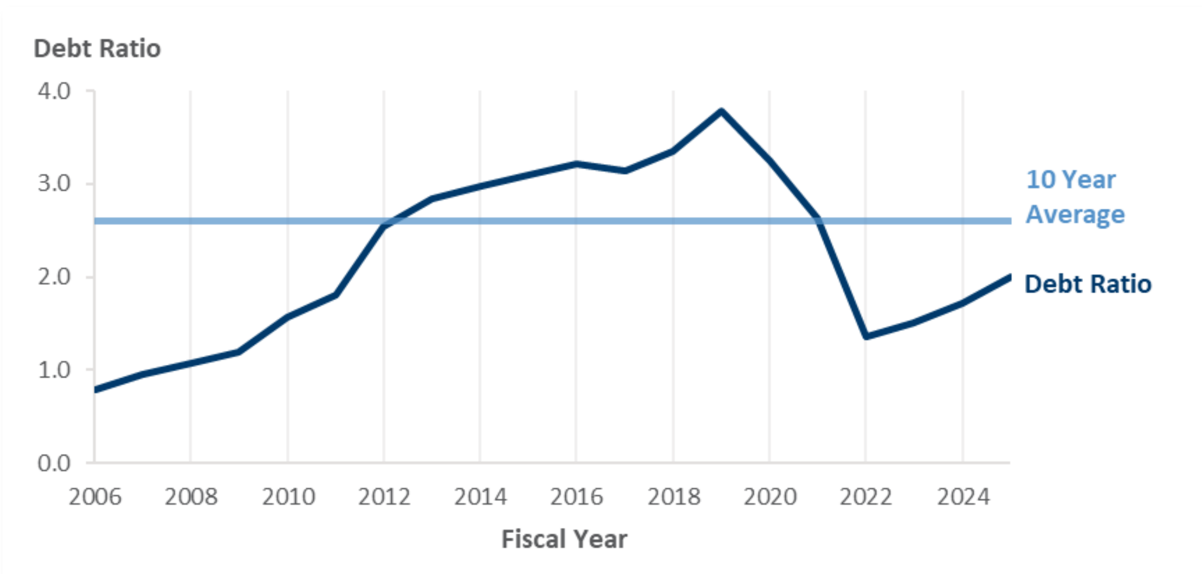
	FY 2024	FY 2025	Change
Debt Ratio	1.72	2.00	0.28
Current Ratio	0.45	0.29	(0.16)
Cash Ratio	0.39	0.26	(0.14)

Source: PRC derived from Postal Service FY 2025 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-10 reflects the Postal Service's debt ratio trend since FY 2006.

Figure II-10
Debt Ratio, FY 2006–FY 2025



Source: PRC derived from Postal Service FY 2006 Annual Report; Postal Service Form 10-K, FY 2007–FY 2025.

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,

AT THE END OF FY 2025, THE DEBT RATIO INCREASED TO 2.00 FROM THE 1.72 DEBT RATIO FOR FY 2024. THE INCREASE IS PRIMARILY THE RESULT OF A LARGER INCREASE IN TOTAL LIABILITIES THAN TOTAL ASSETS.

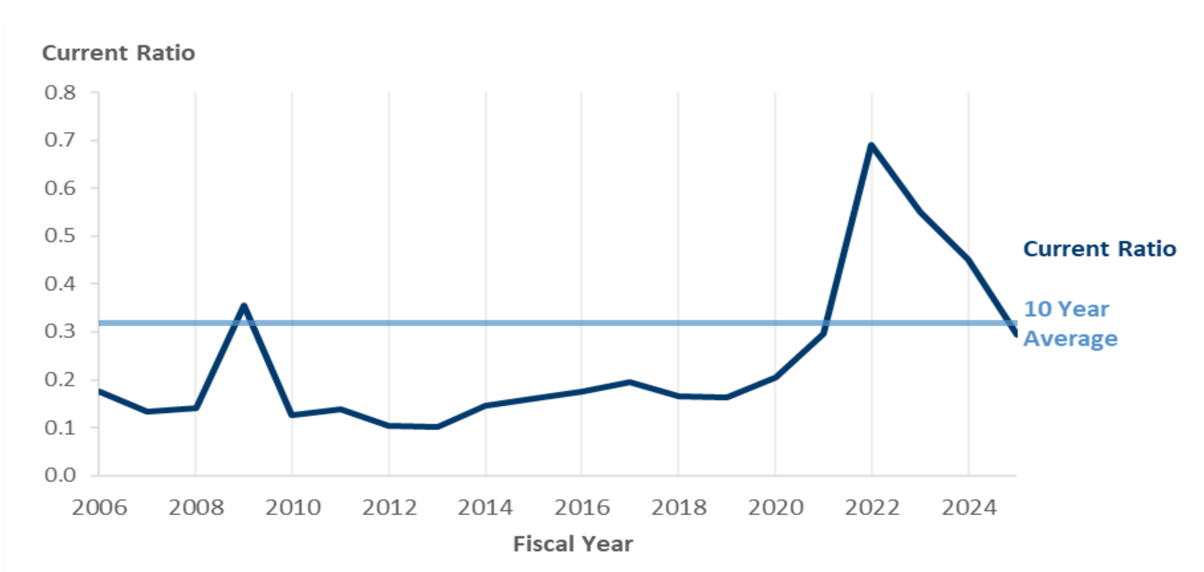
land or a fully depreciated building or equipment may have a higher fair market value than its book value. As it pertains to the Postal Service, the debt ratio provides information about the increasing amount of the Postal Service's liabilities relative to its small asset base.

At the end of FY 2025, the debt ratio increased to 2.00 from the 1.72 debt ratio for FY 2024. The increase is primarily the result of a larger increase in total liabilities than total assets. Retirement benefits and workers' compensation are the primary drivers in increasing liabilities. Investments in property, plant, and equipment and an increase in cash and cash equivalents were offset by declines in short-term investments. The Postal Service's FY 2025 debt ratio was lower than the average 10-year debt ratio of 2.60. 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-11 highlights the fluctuations in the current ratio since FY 2006.

Figure II-11
Current Ratio, FY 2006–FY 2025



Source: PRC derived from Postal Service FY 2006 Annual Report; Postal Service Form 10-K, FY 2007–FY 2025.

At the end of FY 2025, the Postal Service had a current ratio of 0.29, a decrease of 0.16 from the end of FY 2024. This is lower than the Postal Service's 10-year average of 0.32.

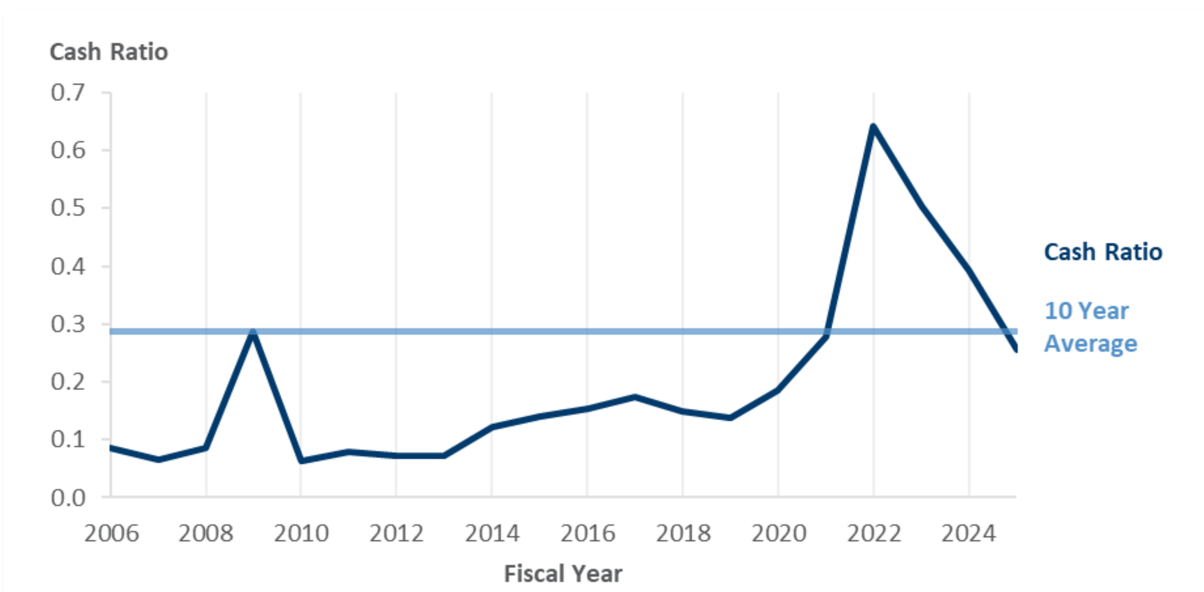
The decrease in the ratio resulted from an increase in current liabilities compared to a decline in current assets. Current liabilities increased by $4.7 billion (11.5 percent) due to increases in retirement benefits. Retiree benefits are significantly impacted by wage inflation, health benefit premium increases, retirement and workers' compensation programs. Postal Service FY 2025 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 years FY 2020 and FY 2021 and the reduction in current liabilities in FY 2022.[32]

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-12 illustrates the cash ratio from FY 2006 through FY 2025.

Figure II-12
Cash Ratio, FY 2006–FY 2025



Source: PRC derived from Postal Service FY 2006 Annual Report; Postal Service Form 10-K, FY 2007–FY 2025.

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

The Postal Service had a cash ratio of 0.26 at the end of FY 2025. This is a decrease compared to the prior year's cash ratio of 0.39. The FY 2025 cash ratio is also lower than the 10-year average of 0.29. This is the result of a decrease in cash and cash equivalents including short-term investments. 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.

Analysis of Statements of Cash Flows

At the end of FY 2025, the Postal Service's total cash and cash equivalents, excluding $2 billion in restricted cash, were $8.2 billion. Cash and cash equivalents including restricted cash and short-term investments were $4.4 billion lower than at the end of FY 2024. At the end of FY 2024, the Postal Service had reached its $15 billion limit in available borrowing authority which continued during FY 2025. Table II-18 compares the Postal Service's cash flows from FY 2016 to FY 2025.

Table II-18
Postal Service Statements of Cash Flows, FY 2016–FY 2025 ($ in Millions)[33]

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Net Income/(Loss)	**($5,591)**	**($2,742)**	**($3,913)**	**($8,813)**	**($9,176)**	**($4,930)**	**$56,046**	**($6,478)**	**($9,520)**	**($8,978)**
Non-Cash Items and Other Cash Flows	8,327	6,565	6,680	11,278	13,545	9,414	(57,020)	4,016	9,588	7,127
Cash Flows From Investing Activities:										
Decrease (Increase) in Restricted Cash	(20)	(38)	16	(91)	12	(95)	(3,562)	2,432	(492)	(3,074)
Purchase of Property and Equipment	(1,428)	(1,344)	(1,409)	(1,419)	(1,810)	(1,872)	(1,796)	(3,000)	(4,199)	(3,585)
Proceeds From Sale of Property and Equipment	206	58	32	27	32	14	111	287	6	128
Purchases of Investments								(13,637)	(15,300)	(3,000)
Purchases of restricted investments								(3,145)	(3,275)	(566)
Redemption of investments								5,000	14,637	12,300
Redemption of restricted investments									3,145	3,275
Net Cash Used in Investing Activities	**(1,242)**	**(1,324)**	**(1,361)**	**(1,483)**	**(1,766)**	**(1,953)**	**(5,247)**	**(12,063)**	**(5,478)**	**5,478**
Cash Flows From Financing Activities:										
Increase (Decrease) in Debt	0	0	(1,800)	1,800	3,000	(3,000)	(1,000)	3,000	2,000	0
Payments for Capital Leases	(51)	(63)	(58)	(48)	(40)	(31)	(30)	(27)	(28)	(34)
Net Change in Revolving Credit Line	0	0	0	(4,000)	0	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	10,000	3,000	0	0	0
Net Cash (Used) Provided by Financing Activities	**(51)**	**(63)**	**(1,858)**	**(2,248)**	**2,960**	**6,969**	**1,970**	**2,973**	**1,972**	**(34)**
Net Increase/(Decrease) in Cash	1,443	2,436	(452)	(1,266)	5,563	9,500	(4,251)	(11,552)	(3,438)	3,593
Cash Balance Beginning of Year	6,634	8,077	10,513	10,061	8,795	14,358	23,858	19,607	8,055	4,617
Cash Balance End of Year	**$8,077**	**$10,513**	**$10,061**	**$8,795**	**$14,358**	**$23,858**	**$19,607**	**$8,055**	**$4,617**	**$8,210**
Debt Outstanding	$15,000	$15,000	$13,200	$11,000	$14,000	$11,000	$10,000	$13,000	$15,000	$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 2016–FY 2025.

[33] The purchases and redemptions of investments and restricted investments in FY 2025 are investments of excess cash not immediately necessary for operations in Treasury bills of various short-term maturities. Postal Service FY 2025 Form 10-K at 62.

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, 2025, the Postal Service had reached its statutory debt limit of $15 billion and had no available borrowing authority.

Table II-19
Total Postal Service Liquidity (in $ Millions) End of FY 2024 Compared to FY 2025

	FY 2024	FY 2025
Cash and Cash Equivalents	$ 4,617	$ 8,210
Short-term Investments	9,513	0
Current Portion of Debt	-	700
Long-Term Debt	15,000	14,300
Total Debt	**$ 15,000**	**$ 15,000**
Statutory Debt Limit	15,000	15,000
Available Debt	-	0
Total Liquidity (Cash + Available Debt)	**$ 14,130**	**$ 8,210**

Source: Postal Service FY 2025 Form 10-K at 47.

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, current liability 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.

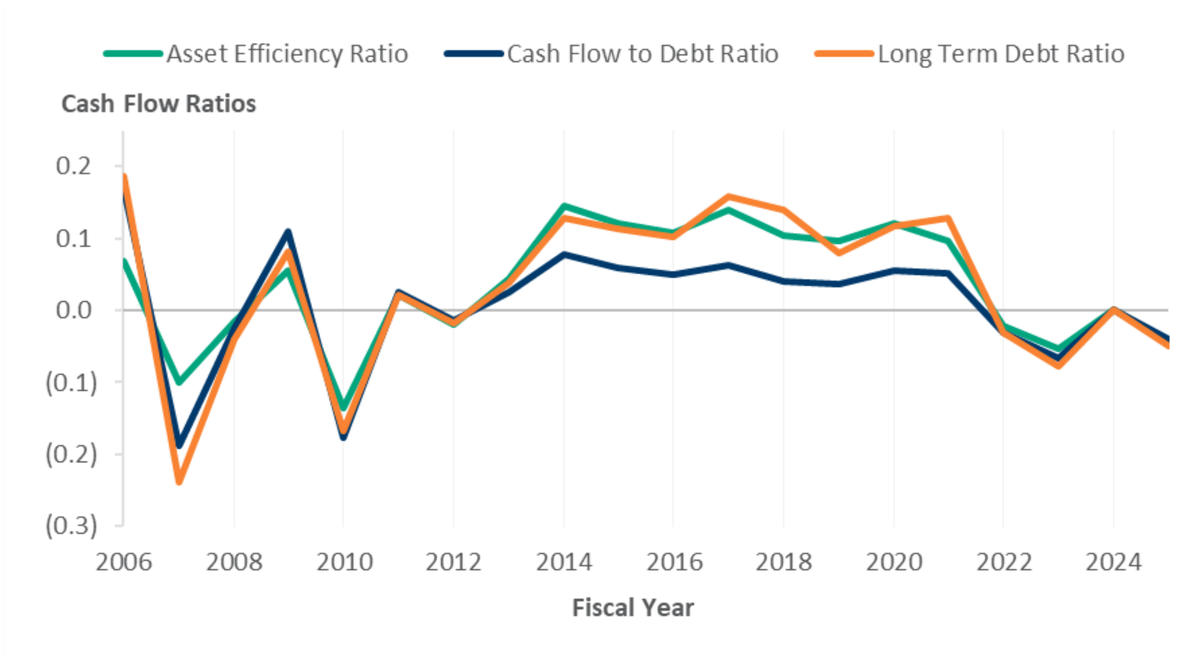
Table II-20
Cash Flow Ratios, FY 2024 and FY 2025

	FY 2024	FY 2025	Change
Asset Efficiency Ratio	0.001	(0.04)	(0.05)
Cash Flow to Debt Ratio	0.002	(0.04)	(0.04)
Long Term Debt Ratio	0.002	(0.05)	(0.05)

Source: PRC derived from Postal Service FY 2025 Form 10-K.

Figure II-13 shows all three ratios and their trends since FY 2006.

Figure II-13
Cash Flow Ratio Trend Analysis FY 2006–FY 2025



Source: PRC derived from Postal Service FY 2006 Annual Report; Postal Service Form 10-K FY 2007–FY 2025.

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 2025, the Postal Service had a negative asset efficiency ratio of 0.04, which is 0.05 lower than the prior year. The FY 2025 asset efficiency ratio is lower compared to the historical 10-year average of 0.05; cash flow from operations decreased, while total assets also decreased. 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 an operating cash flow ratio of negative 0.04 at the end of FY 2025, which is a decline of 0.04 from the prior year and lower than the historical 10-year average. The operating cash flow ratio measures an entity's ability to generate cash that can be used to cover current debt. In FY 2025, cash flow from operations decreased while current liabilities increased compared to FY 2024. 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 2025, the Postal Service had a long-term debt ratio of negative 0.05, a decrease of 0.05 from the end of FY 2025.

Overall, the analyses of the Income Statements, Balance Sheets, and Statements of Cash Flows indicate that in FY 2025 the Postal Service continued to incur operating and net losses, with limited liquidity and high liabilities relative to assets. The FY 2025 financial results are further examined in Chapter III through disaggregated analyses of product revenue, volumes, and costs.

Chapter III. Volume, Revenue, and Cost Trends

This chapter presents in-depth analyses of volume, revenue, and cost trends. The chapter is divided into three sections. The first section describes the calculation of attributable 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 in the last Fiscal Year and over the last decade, with section two focusing on Market Dominant products, organized by mail class, and section three focusing on 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 2024.

Table III-1
Market Dominant and Competitive Mail Volume, Revenue, and Attributable Cost
FY 2024 –FY 2025

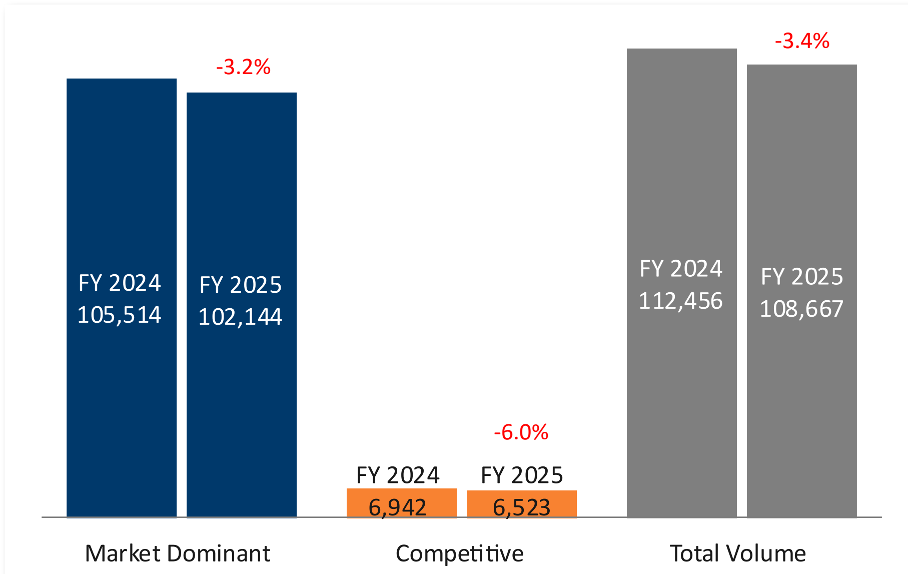
	Volume (Millions)	Revenue ($ Millions)	Attributable Cost ($ Millions)	Contribution to Institutional Cost ($ Millions)
Market Dominant Mail:				
FY 2024	105,514	$ 44,882	$ 22,620	$ 22,262
FY 2025	102,144	45,765	22,453	23,313
% Change	-3.20%	2.00%	(0.70%)	4.70%
Competitive Mail:				
FY 2024	6,942	$ 33,838	$ 23,696	$ 10,141
FY 2025	6,523	33,855	23,532	10,323
% Change	-6.00%	0.10%	(0.70%)	1.8%

Source: Postal Service’s Product Finances, FY 24 - FY 25

Total Postal Service mail volume continued to decline, losing 3.4 percent of its FY 2024 level. As shown in Figure III-1, Market Dominant volume declined 3.2 percent while

Competitive volume declined by 6.0 percent. Volume declined for every Market Dominant mail class and for every category of Competitive mail[34] in FY 2025.

Figure III-1
Mail Volume (Millions), FY 2024 – FY 2025



Source: Postal Service's Product Finances, FY 24 - FY 25.

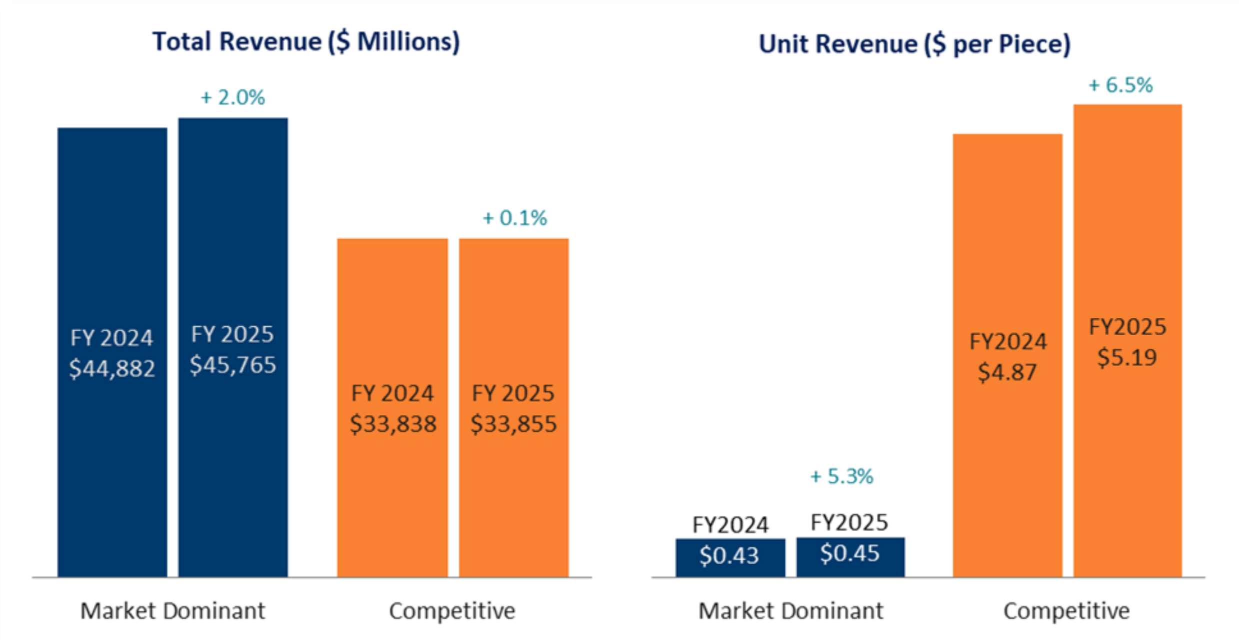
While the Postal Service continues to attribute the decline in Market Dominant volume to customers' usage of digital communication and other substitutes to postal services, it also acknowledges that it has lost Competitive volume to competitors in the delivery marketplace.[35] The Postal Service refers to "certain major customers," which historically had their (Competitive) volumes delivered by the Postal Service, but have diverted their volumes out of the Postal Service's network as they "continue to build delivery capabilities."[36] More concerning is the Postal Service's expectation that Competitive volumes will continue to "level-off or decline in the future" as some of its customers "continue building their delivery capabilities."[37]

The decrease in total volume in FY 2025 was accompanied by a 1.3 percent increase in total revenue. Market Dominant revenue increased by 2.0 percent, following a 2.8 percent

[34] The Competitive mail categories include express mail (Priority Mail Express product), priority mail (Priority Mail product), Ground Parcels (USPS Ground Advantage, Parcel Select, and Parcel Return Service products), and International mail (inbound and outbound international express and priority mail, and letterpost products).
[35] Postal Service FY 2025 Report on Form 10-K at 10.
[36] *Id*.
[37] *Id*.

increase in FY 2024. Competitive revenue increased by 0.1 percent, following a 1.5 percent increase in FY 2024. On a per piece basis, revenue increases were larger: Market Dominant mail unit revenue increased by 5.3 percent and Competitive mail unit revenue increased by 6.5 percent, as shown in Figure III-2.

Figure III-2
Mail and Services Revenue, FY 2024 – FY 2025



Source: Postal Service's Product Finances, FY 24 - FY 25.

The Postal Service attributes the increase in its FY 2025 operating revenue to "price increases in [the] First-Class Mail and Marketing Mail categories, and a product mix shift toward higher-value offerings in [the] Shipping and Packages category."[38]

For most of FY 2025, Market Dominant prices that the Postal Service implemented in July of FY 2024 (*i.e.*, in the last quarter of FY 2024) were in effect.[39] The Postal Service raised Market Dominant rates again in July of 2025,[40] so these rates were in effect for the last 2.5 months of FY 2025. For comparison, the Postal Service implemented two Market Dominant

[38] Postal Service FY 2025 Report on Form 10-K at 20. The Postal Service uses the following broad categories in the report to describe its performance: First-Class Mail, Marketing Mail, Shipping and Packages, International Mail, Periodicals, and other services. *See id*. at 21.
[39] *See generally*, 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).
[40] *See generally*, Docket No. R2025-1, Order on Price Adjustments for First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, May 30, 2025 (Order No. 8867).

price increases during FY 2024, in January and July of 2024.[41] For Competitive products, the Postal Service implemented two price increases in FY 2025, in January and in July,[42] compared to one price increase in FY 2024,[43] and a time-limited price increase during the October 2024 to January 2025 peak season.[44] While the Postal Service points to greater delivery capabilities of its competitors as a factor that drove Competitive volume away from its network in FY 2025,[45] it is possible that some of the decline could be related to the two Competitive price increases in FY 2025.

On the cost side, overall volume decline of 3.4 percent was accompanied by a 1.0 percent decrease in total attributable cost. Attributable cost decreased for Market Dominant and Competitive mail by 0.7 percent each. However, on a per piece basis, attributable cost increased for both categories of mail (by 2.5 percent for Market Dominant mail and by 5.7 percent for Competitive mail), as shown in Figure III-3.

While the average unit cost increases for each group of mail were lower than their respective increases in unit revenue, for Competitive mail, the increase in unit attributable cost far outpaced inflation (about 2.7 percent) between FY 2024 and FY 2025. While the product mix shift contributed to this increase, it may be a factor in the decline in Competitive volume.

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[41] *See generally*, 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). *See also*, Order No. 7155.

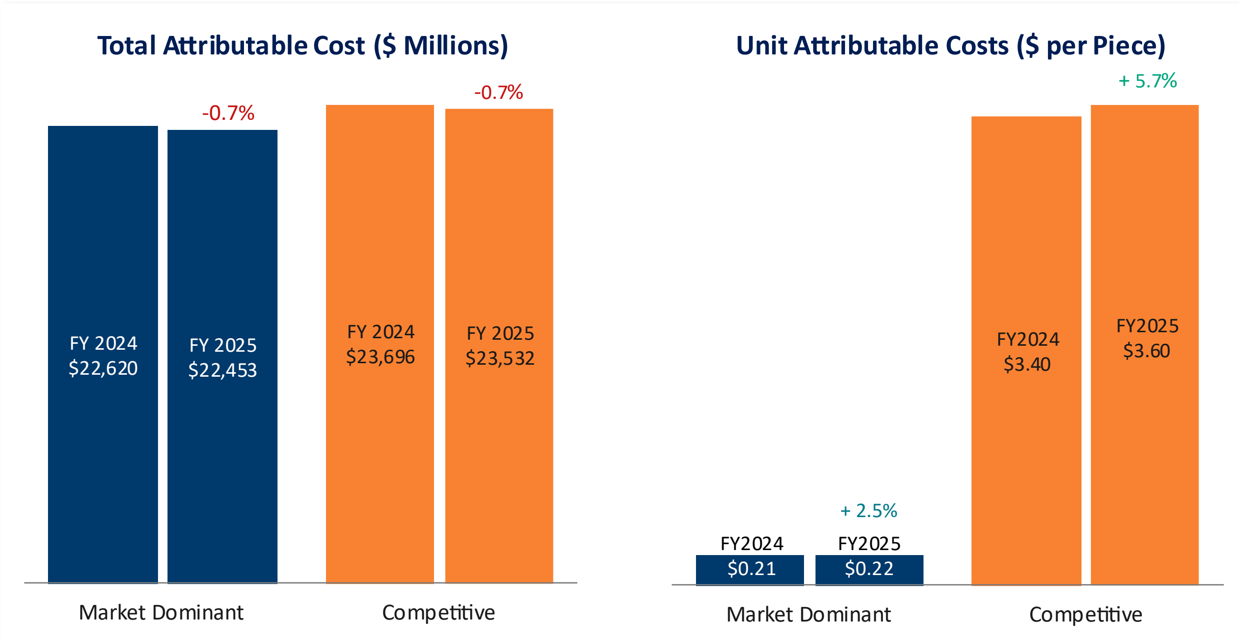
[42] *See generally*, Docket No. CP2025-1, Order Concerning Changes in Rates of General Applicability and Classifications for Competitive Products, January 16, 2025 (Order No. 8635). *See also*, Docket No. CP2025-7, Order Approving Changes in Rates and Classifications of General Applicability for Competitive Products, July 2, 2025 (Order No. 8947).

[43] *See generally*, Docket No. CP2024-52, Order Concerning Changes in Rates of General Applicability and Classifications for Competitive Products, December 22, 2023 (Order No. 6895).

[44] *See generally*, Docket No. CP2024-631, Order Approving Price Adjustments for Domestic Competitive Products, October 3, 2024 (Order No. 7645).

[45] Postal Service FY 2025 Report on Form 10-K at 10.

Figure III-3
Attributable Cost, FY 2024 – FY 2025



Source: Postal Service's Product Finances, FY 24 - FY 25.

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[46], the Commission determined that attributable product costs include:

- Volume-variable costs, which in the aggregate increase as volume increases and decrease as volume decreases;[47]
- 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.

[46] 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).
[47] Total volume-variable cost is calculated by multiplying total cost by the volume variability ratio for each cost segment.

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.[48] Attributable cost is distributed to products using distribution keys that reflect the underlying cost drivers.[49] These costs are piggybacked to include indirect costs of each activity.

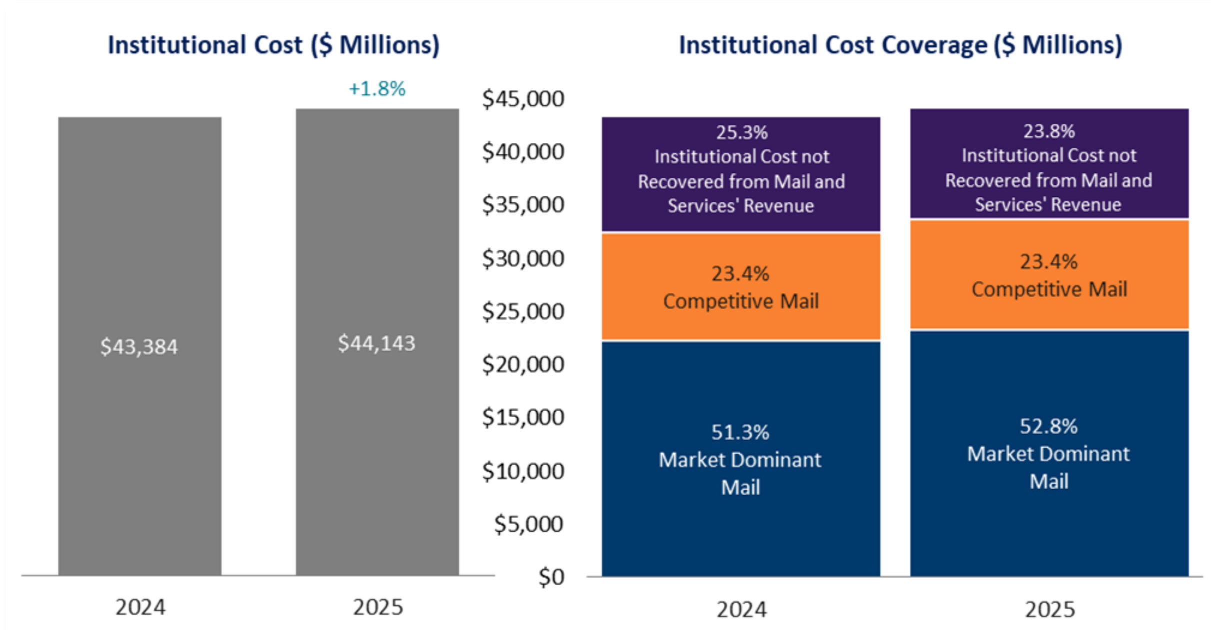
Institutional cost cannot be attributed to a specific product or service, a class, or Competitive products collectively, and is equal to total accrued cost minus total attributable cost. While sometimes referred to as "fixed cost," it is more accurately characterized as "common cost" because it includes 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.

The FY 2025 cost and revenue changes resulted in greater institutional cost coverage despite institutional cost increasing by 1.8 percent. The contribution from Market Dominant mail increased from $22.3 billion in FY 2024 to $23.3 billion in FY 2025, or by 4.7 percent. Competitive mail contribution increased by 1.8 percent, from $10.1 billion in FY 2024 to $10.3 billion in FY 2025.

[48] 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.

[49] 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.

Figure III-4
Institutional Cost and Contribution from Market Dominant and Competitive Mail Revenue, FY 2024 – FY 2025



Source: Postal Service's Product Finances, FY 24 - FY 25.

The combined effect of Market Dominant and Competitive products' financial performance improved the Postal Service's institutional cost coverage from 74.7 percent in FY 2024 to 76.2 percent in FY 2025. In other words, the percentage of institutional cost that was not recovered from the sale of Market Dominant and Competitive products and services was reduced from 25.3 percent in FY 2024 to 23.8 percent in FY 2025, or from $11.0 billion in FY 2024 to $10.5 billion in FY 2025.

Changes in the Last Decade

MAIL VOLUME

In the last decade, Market Dominant volume declined by 32 percent, or about 4.2 percent per year, on average. Within Market Dominant mail:

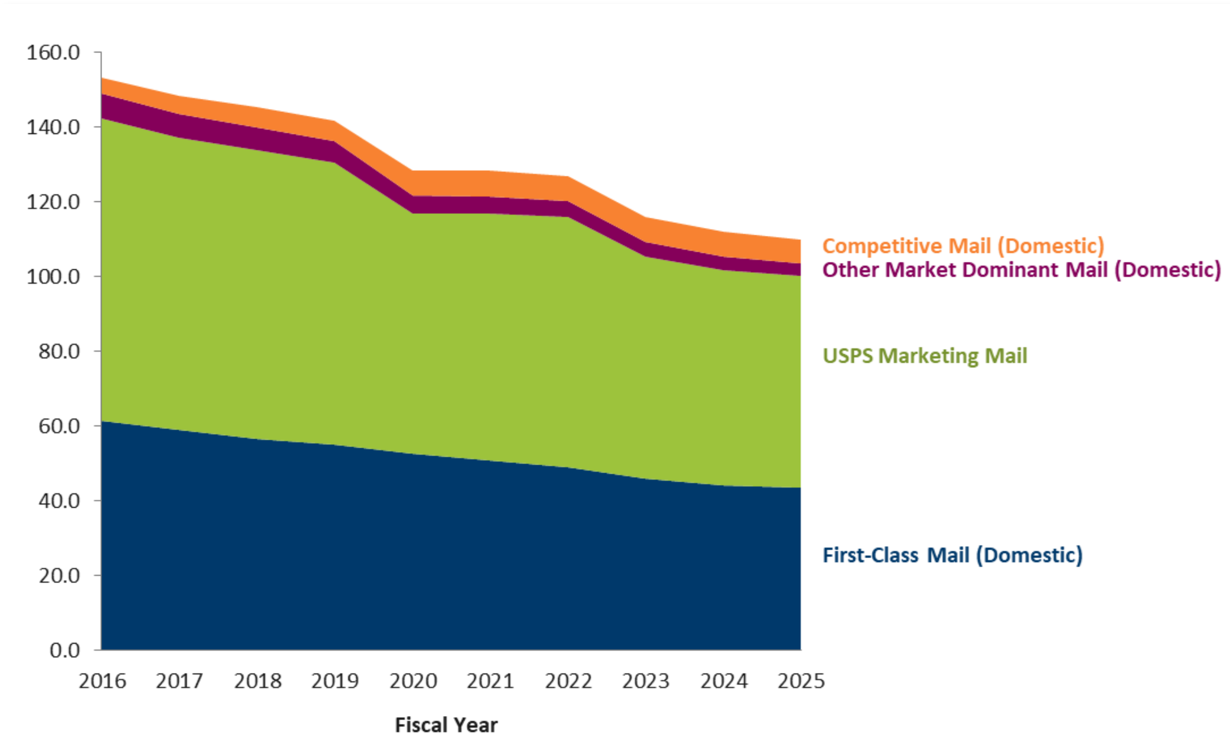
- Domestic First-Class Mail volume decreased by 32.5 percent, or 4.3 percent annually, on average. The Postal Service has viewed the migration from mail to electronic communication as the most significant factor contributing to First-Class

Mail volume declines in the last decade. The Postal Service expects First-Class Mail to continue losing volume due to electronic migration.[50]

- USPS Marketing Mail had a similar trend, declining 29.8 percent over the last ten years, or 3.9 percent on average annually. Despite that volume loss, the Postal Service describes this mail class as generally resilient, with strong returns on customers' investments, even with increasing use of digital advertising, especially since the COVID-19 pandemic.[51]
- Periodicals, Package Services, Free Mail, and USPS Mail volumes combined, included in the above chart as "Other MD Mail (Domestic)" category, declined 49.5 percent, or 7.3 percent on average annually. The Postal Service expects the past decade's trend "away from hard-copy reading behavior and the shift of advertising away from print" to continue and with it, the Periodicals volume to continue declining.[52]

[50] Postal Service FY 2025 Form 10-K at 22.
[51] *Id*. at 23.
[52] *Id*. at 25.

Figure III-5
Market Dominant Volume by Mail Class and Competitive Volume (Billions)
FY 2016 – FY 2025



Source: Postal Service's Product Finances, FY 16 – FY 25; Docket No. ACR2022, Library Reference PRC-LR-ACR2022-1, March 29, 2023 (PRC-LR-ACR2022-1); Docket No. ACR2021, Library Reference PRC-LR-ACR2021-1, March 29, 2022 (PRC-LR-ACR2021-1); Docket No. ACR2020, Library Reference PRC-LR-ACR2020-1, March 29, 2021 (PRC-LR-ACR2020-1); Docket No. ACR2019, Library Reference PRC-LR-ACR2019-1, March 25, 2020 (PRC-LR-ACR2019-1); Docket No. ACR2018, Library Reference PRC-LR-ACR2018-1, April 12, 2019 (PRC-LR-ACR2018-1); Docket No. ACR2017, Library Reference PRC-LR-ACR2018-1, March 29, 2018 (PRC-LR-ACR2017-1); Docket No. ACR2016, Library Reference PRC-LR-ACR2016-1, March 28, 2017 (PRC-LR-ACR2016-1). (Collectively Postal Service's Product Finances, FY 16- FY 25.)

While the Postal Service views electronic diversion as the main factor contributing to the secular decline in Market Dominant volumes in the last decade, it also points to "the strength of the U.S. economy" as generally linked to trends in mail volumes.[53] The Postal Service compares two recession periods that occurred within the last two decades: the COVID-19 recession (with onset in FY 2019) and the Great recession (FY 2008 – FY 2012), and describes them as exhibiting similar multi-year patterns of shock, recovery, and aftershock in terms of Market Dominant volume volatility.[54] The Postal Service also describes Market Dominant volume as declining at "a more even pace" during the intervening years between the two recession periods, and it sees "similarities in

[53] *Id*. at 22.
[54] *See* FY 2024 ACR at 6-7. *See also* Docket No. RM2024-4, Reply Comments of the United States Postal Service in Response to Order No. 7032, September 12, 2024 (RM2024-4 USPS Reply Comments), at 26-33.

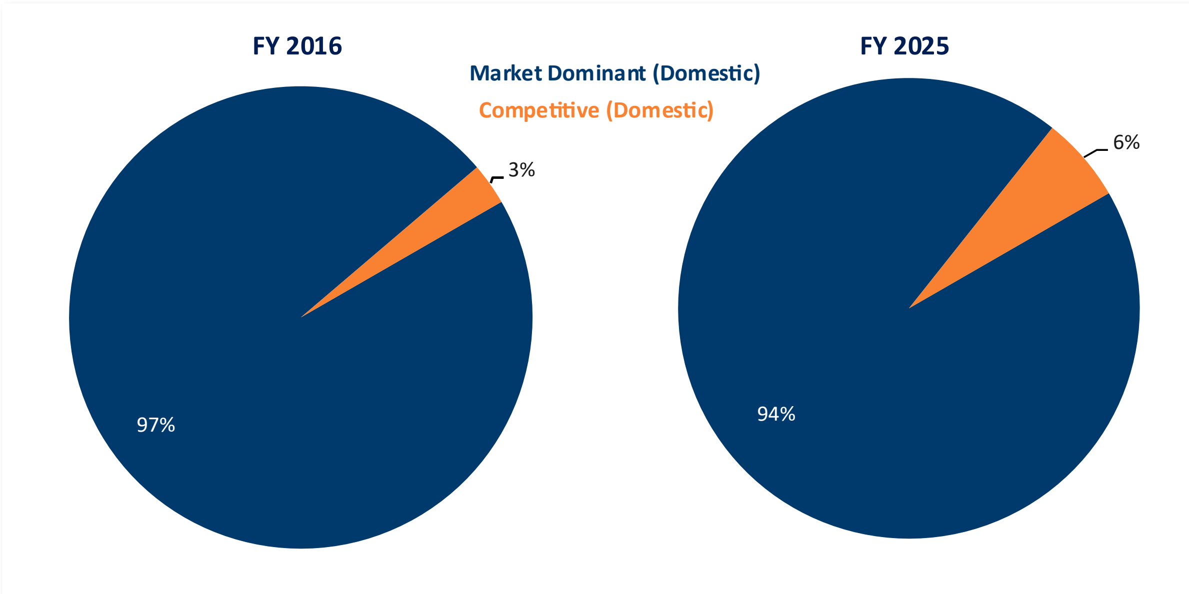
macroeconomic factors" in FY 2012 (the last year of the Great Recession) and FY 2023, which it considers to be the last year of the COVID-19 recession.[55]

Within the last decade, Market Dominant volume declined between 0.3 percent and 3.6 percent per year, except for FY 2020 when it declined 10.8 percent, and FY 2023 when it declined 9.1 percent. According to the Postal Service, FY 2020 was the "shock" year, was followed by two years of recovery (FY 2021 – FY 2022), and FY 2023 was the final (aftershock) year of the COVID-19 recession. If this hypothesis holds, FY 2024 was the first year of an intervening period during which Market Dominant volumes should decline at a "more even pace" until the next macroeconomic "shock event" causes another steep decline in Market Dominant volume.[56] So far, the 3.6 percent Market Dominant volume decline in FY 2024 and the 3.2 percent decline in FY 2025 are comparable to annual volume declines of the last decade, other than FY 2020 and FY 2023 declines. However, it remains to be seen whether Market Dominant volume continues to decline at about the rate of the last two years and the COVID-19 recession is over.

Competitive volume increased by 45.0 percent since FY 2016, or about 4.2 percent on average annually, despite competition from national package delivery service providers like FedEx Corporation, United Parcel Service, Inc., or Amazon.com, Inc., and from regional and local package delivery companies. Volume changes of the last ten years changed the make-up of the Postal Service's total volume, as illustrated in Figure III-6 below. Domestic Competitive volume accounted for only 3 percent of total domestic volume 10 years ago, and it accounted for 6 percent by FY 2025.

[55] *Id*.
[56] *Id*.

Figure III-6
Domestic Mail Volume Make-Up, FY 2016, FY 2025



Source: PRC-LR-ACR2016/1; PRC-LR-ACR2025-1.

The Postal Service anticipates intense competition in this business category to continue, and points specifically to its competitors, and even some of its major customers, developing their delivery capabilities "over greater geography" and in-sourcing operations.[57] This implies that the Postal Service anticipates competitive pressure in both end-to-end and last-mile package delivery markets. The Postal Service further describes an industry-wide trend away from expedited products, which has most negatively impacted volumes of its Priority Mail and Priority Mail Express products.[58] Among its Competitive products, the Postal Service appears most optimistic about the USPS Ground Advantage product, which it launched in July 2023.[59]

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

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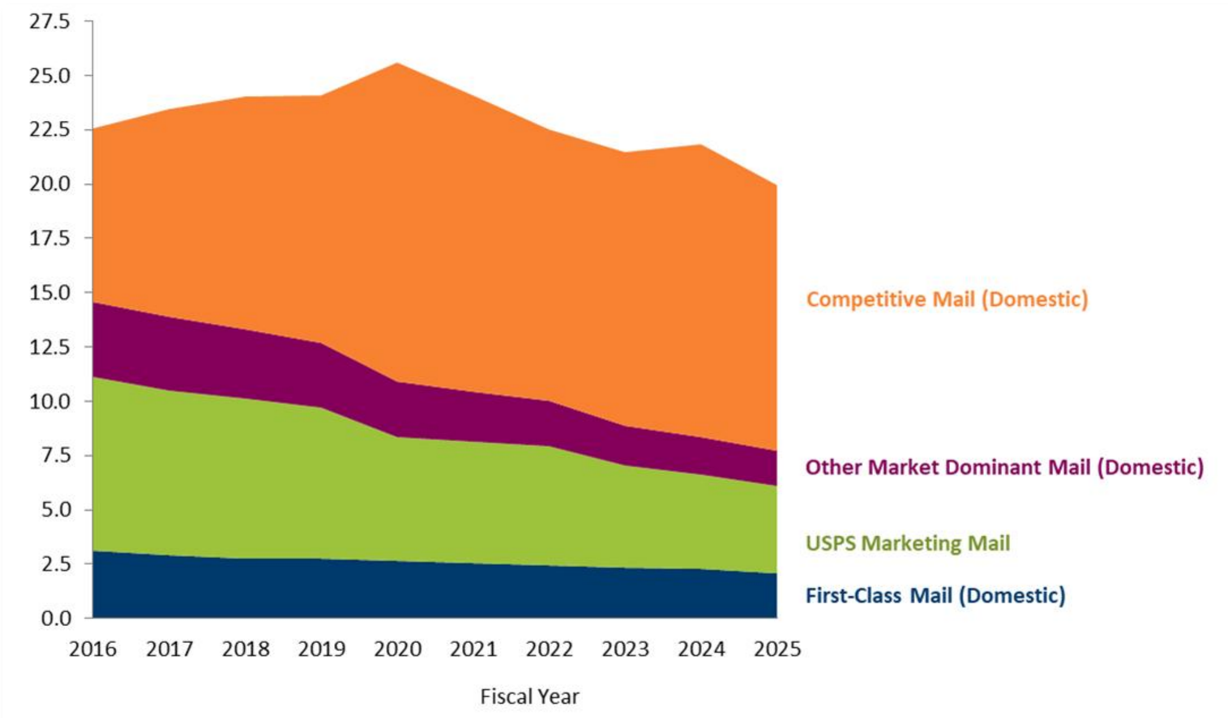
[57] Postal Service FY 2025 Form 10-K at 23.
[58] *Id*. at 22-24.
[59] Id.

Figure III-7
Market Dominant and Competitive Mail Weight (Billions Lbs), FY 2016 – FY 2025



Source: Postal Service's Product Finances, FY 16 - FY 25.

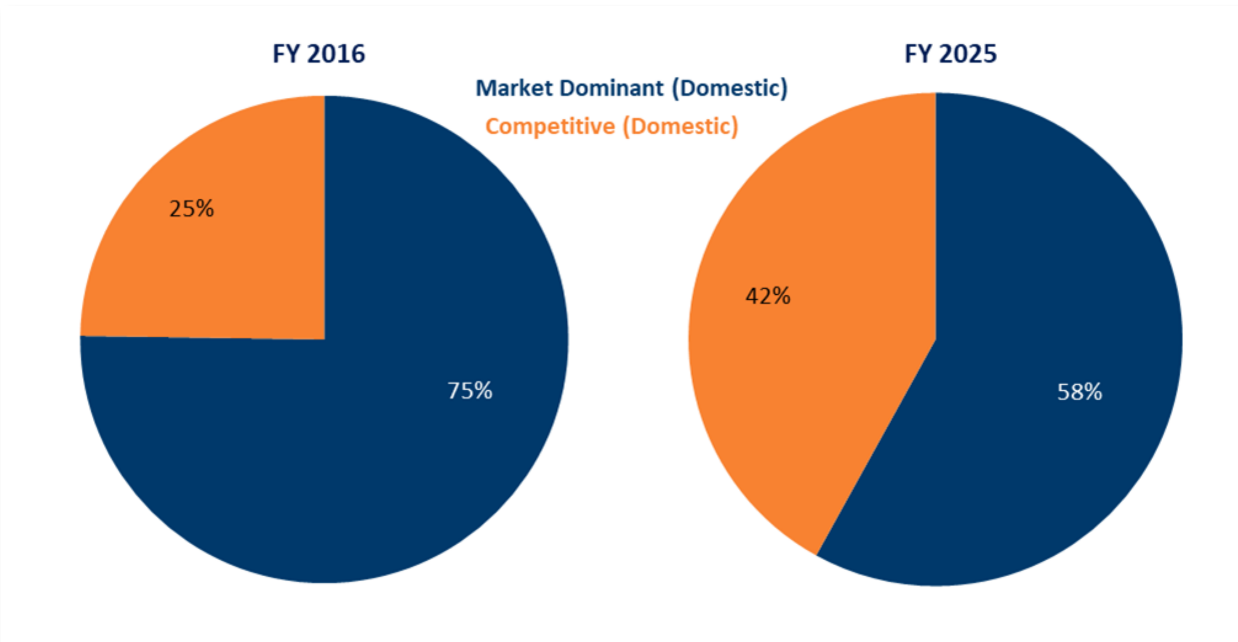
On average, the weight of a Competitive mailpiece has increased by about 0.2 percent annually, while the weight of a Market Dominant mailpiece has decreased by about 2.9 percent annually over the past decade. The decline in Market Dominant average weight per piece was driven by USPS Marketing Mail, the weight of which decreased by about 3.5 percent annually, followed by a 0.8 percent decrease in weight per piece for First-Class Mail, and a 0.4 percent decrease for Other Market Dominant Mail (Domestic). In FY 2016, Competitive mail accounted for 35 percent of total mail weight; by FY 2025, it represented 61 percent of total mail weight. The weight of a mailpiece is important because it significantly impacts the cost per piece, particularly for parcel-shaped products.

The Postal Service's ability to recover Competitive mail unit cost increases through price increases is limited due to the competitive nature of the products, and this can lead to diminishing unit contribution (*see*, *e.g.*, Figure III-11 below). With Competitive mail accounting for an increasing portion of total volume and weight that the Postal Service handles, declining unit contribution for Competitive mail negatively impacts the Postal Service's financial situation (*see*, *e.g.*, Figure III-10 and Figure III-12 below). Unit costs for individual Market Dominant and Competitive products are discussed in more detail in the sections that follow.

REVENUE

As the domestic Market Dominant mail volume declined, so has the proportion of total revenue generated from the sale of Market Dominant products. In FY 2016, Market Dominant revenue accounted for 75.2 percent of total revenue, in FY 2025, that proportion decreased to 58.0 percent. Competitive revenue accounted for 24.8 percent of total revenue in FY 2016, increasing to 42.0 percent in FY 2025, as shown in Figure III-8.

Figure III-8
Domestic Mail Revenue, FY 2016 and FY 2025

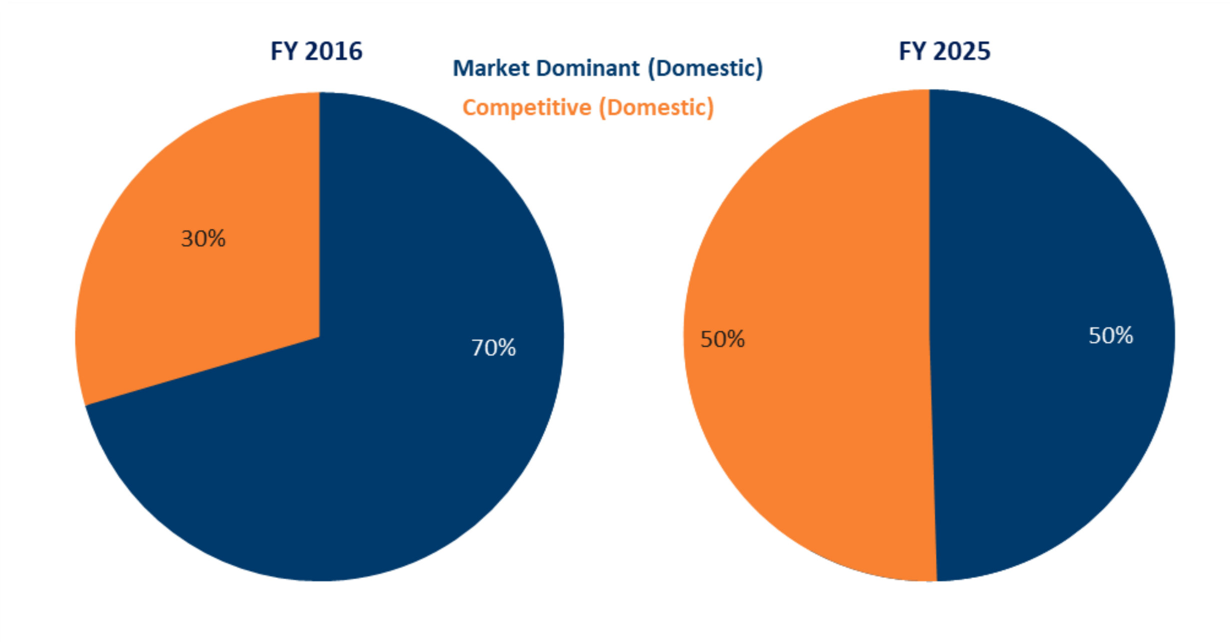


Source: PRC-LR-ACR2016/1; PRC-LR-ACR2025-1.

ATTRIBUTABLE COST

The proportion of total attributable cost accounted for by Market Dominant products has also declined over the course of the last ten years, from 70.5 percent in FY 2016 to 49.5 percent in FY 2025, as shown in Figure III-9.

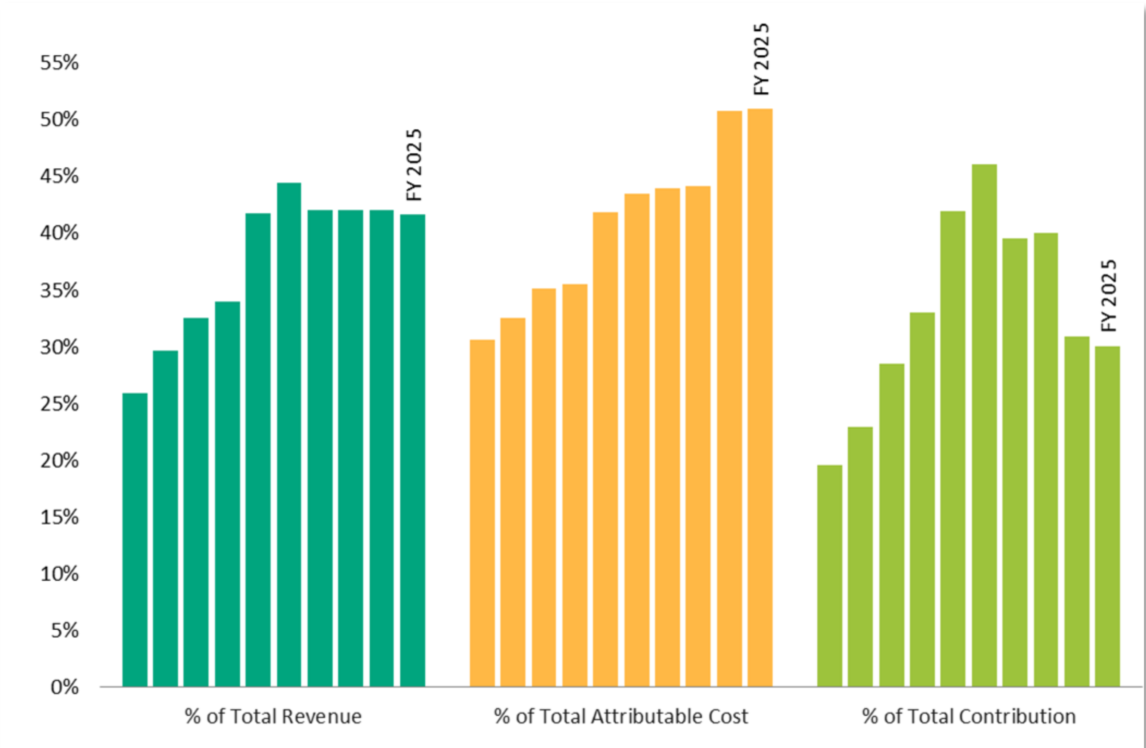
Figure III-9
Domestic Mail Attributable Cost, FY 2016, FY 2025



Source: PRC-LR-ACR2016/1; PRC-LR-ACR2025-1.

Figure III-10 includes data on Competitive products' share of total Postal Service revenue and attributable cost in the last decade. While Competitive products' revenue share increased each year in the first half of the decade, it leveled off in the second half. However, Competitive mail's share of attributable cost continued to increase from the first to the second half of the decade. More specifically, Competitive products' attributable cost accounted for 30.6 percent of total attributable cost in FY 2016, and for 50.9 percent in FY 2025, representing a 20-percentage point increase. In the same span of time, Competitive products' revenue share increased by 16 percentage points (from 25.9 percent in FY 2016 to 41.6 percent in FY 2025). This has had an effect of Competitive products' contribution out of total (Market Dominant and Competitive) products' contribution diminishing in the last four years, from 46 percent in FY 2021 to 30 percent in FY 2025.

Figure III-10
Competitive Products' Share of Total Revenue, Cost, and Contribution (Percent)
FY 2016 – FY 2025

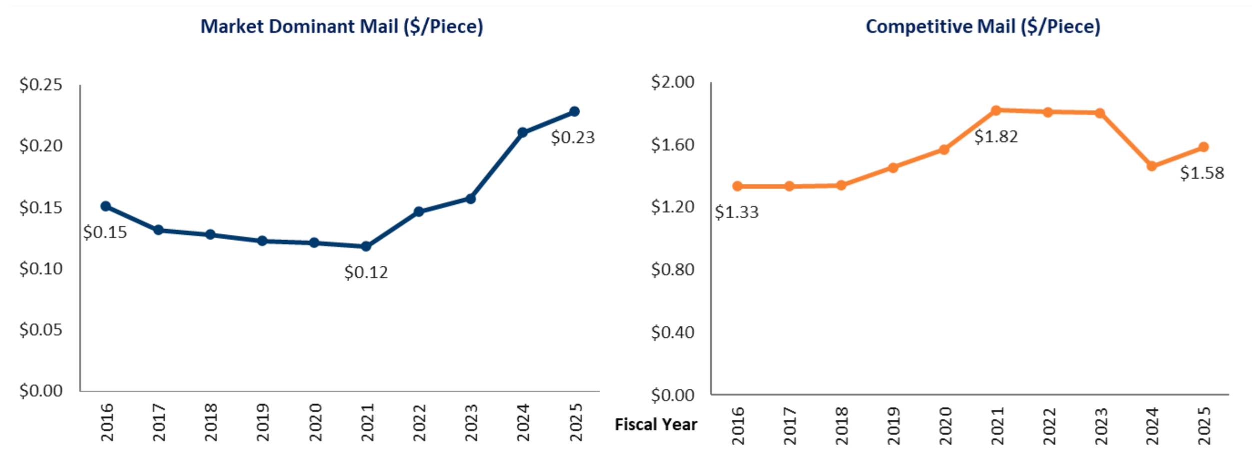


Source: Postal Service's Product Finances, FY 16 - FY 25.

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 2016 until FY 2021, when it began to climb. For Competitive mail, however, unit contribution followed the opposite trend, climbing steadily until FY 2021, then descending until FY 2024 (Competitive mail unit contribution increased again in FY 2025 to about its FY 2020 level). These trends are shown in Figure III-11 below.

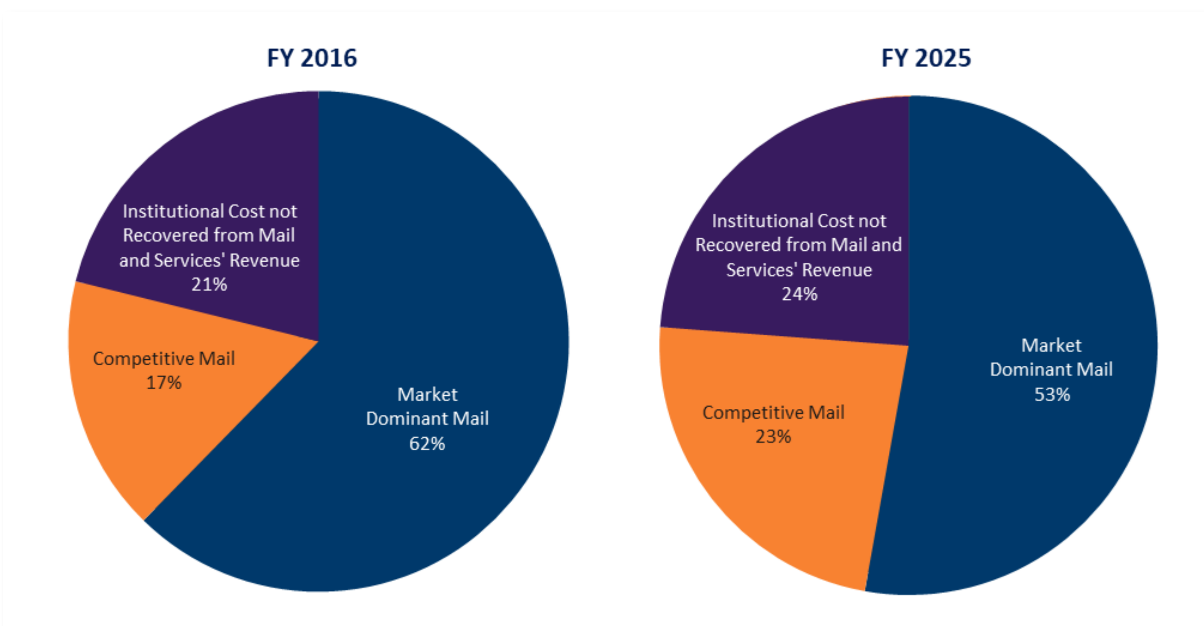
Figure III-11
Average Contribution per Mailpiece , FY 2016 – FY 2025



Source: Postal Service’s Product Finances, FY 16 - FY 25.

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

Figure III-12
Market Dominant and Competitive Mail Contribution to Institutional Cost, FY 2016, FY 2025



Source: PRC-LR-ACR2016/1; PRC-LR-ACR2025-1.

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

There are five products assigned to First-Class Mail. For the purposes of this report, First-Class Mail products are grouped into letters, flats, and "Other First-Class Mail."[60]

FIRST-CLASS MAIL LETTERS SINCE LAST YEAR

Table III-2 summarizes changes in volume and revenue for First-Class Mail letters since FY 2024. Total First-Class Mail letter volume declined by 5.2 percent in FY 2025, 1.4 percentage point more than the 3.8 percent decline in FY 2024.[61] This was driven by a more severe decline in Presorted letters compared to last year (-3.9 percent in FY 2025 vs -1.6 percent in FY 2024). At the same time, Single-Piece letters continued to decline at a rapid rate (-9.0 percent). This represents the fourth largest annual volume decrease for Single-Piece letters in the PAEA era, exceeded only by the 9.7 percent decrease in FY 2024, the 9.9 percent decrease in FY 2011, and the 10.3 percent decrease in FY 2009.[62]

[60] "Other First-Class Mail" includes single-piece and presorted postcards, Outbound Single-Piece First-Class Mail International, and Inbound Letter Post.
[61] FY 2024 Financial Report at 53.
[62] FY 2024 Financial Report at 54; PRC-LR-ACR2025-1.

Table III-2
First-Class Mail Letters Volume and Revenue, FY 2024 – FY 2025

	Letters		
	Single-Piece	Presorted	Total
Volume (Millions):			
FY 2024	10,303	30,319	**40,622**
FY 2025	9,372	29,129	**38,502**
Change	(931)	(1,189)	**(2,120)**
% Change	(9.0%)	(3.9%)	**(5.2%)**
Revenue ($ Millions):			
FY 2024	$ 7,010	$ 15,586	**$22,596**
FY 2025	6,825	16,131	**$22,956**
$ Change	(185)	545	**$ 360**
% Change	(2.6%)	3.50%	**1.60%**

Source: Postal Service's Product Finances, FY 24 - FY 25.

Total revenue for First-Class Mail letters increased by 1.6 percent in FY 2025, despite the Postal Service delivering 5.2 percent fewer letters. This is primarily due to the price increase that went into effect in July 2025,[63] which followed a price increase of similar magnitude implemented in July 2024[64] (*i.e.*, was in effect for three-quarters of FY 2025). Unit revenue for First-Class Mail letters overall increased by 7.2 percent, from 56 cents per piece in FY 2024 to 60 cents per piece in FY 2025. Unit revenue increased for both Single-Piece and Presorted letters (7.0 percent and 7.7 percent, respectively), which explains why total Single-Piece letter revenue declined less steeply (2.6 percent) than its volume (9.0 percent), and why Presorted letter revenue increased (3.5 percent) despite a volume decline of 3.9 percent.

Table III-3 below summarizes the FY 2025 change in attributable cost for First-Class Mail letters. Total attributable cost declined $47 million (or 0.5 percent) from last year. This percentage reduction is less than the percentage reduction in First-Class Mail letter volume. Consequently, attributable cost per piece increased for both Single-Piece and Presorted letters. The Postal Service identifies cost increases in mail processing, delivery,

[63] *See* Order No. 8867 at 77-78.
[64] *See*, *generally*, Order No. 7155.

and transportation as driving unit cost increases for First-Class Mail letters.[65] Despite volume decline and an increase in unit attributable cost for letters, the contribution toward institutional cost of First-Class Mail letters increased in FY 2025.

Table III-3
First-Class Mail Letters Attributable Cost and Average Unit Attributable Cost
FY 2024 – FY 2025

	Letters		
	Single-Piece	**Presorted**	**Total**
Attributable Cost: ($ Millions)			
FY 2024	$ 3,907	$ 4,648	**$ 8,555**
FY 2025	3,754	4,753	**$ 8,508**
$ Change	(152)	106	**($47)**
% Change	(3.9%)	2.3%	**(0.5%)**
Unit Attributable Cost: (Cents per Piece)			
FY 2024	37.9₵	15.3₵	**21.1₵**
FY 2025	40.1	16.3	**22.1₵**
₵ Change	2.1	1.0	**1.0₵**
% Change	5.6%	6.4%	**4.9%**

Source: Postal Service's Product Finances, FY 24 - FY 25.

Table III-4 highlights First-Class Mail letter unit cost changes for major cost segments between FY 2024 and FY 2025. The unit costs presented include all indirect costs piggybacked on the direct cost.

[65] Docket No. ACR2025, Library Reference USPS-FY25-45, December 29, 2025, Zip Folder USPS-FY25-45.zip, File Folder FY25.45.Flats.DARS.Files, File Folder Rule 3050.55 Cost Reduction, File Folder Paragraph (b)—Financial Report, PDF file "Part B Narratives - FY 25 Rule 3050.55" (USPS-FY25-45 Rule 3050.55 Paragraph (b) Narratives), at 1.

Table III-4
First-Class Mail Letters Unit Attributable Cost by Cost Segment
FY 2024 – FY 2025

	Cost Segments				
	Mail Processing	City Carriers	Window Service	Rural Carriers	Transportation
Single-Piece Letters: (Cents per Piece)					
FY 2024	21.7₵	6.3₵	2.4₵	1.7₵	3.1₵
FY 2025	22.5	6.6	2.5	1.8	3.6
% Change	3.8%	5.2%	5.7%	7.8%	15.9%
Presorted Letters: (Cents per Piece)					
FY 2024	7.7₵	3.6₵	0.1₵	1.6₵	1.6₵
FY 2025	7.9	3.7	0.1	1.7	2.0
% Change	3.2%	3.6%	16.6%	4.9%	24.5%

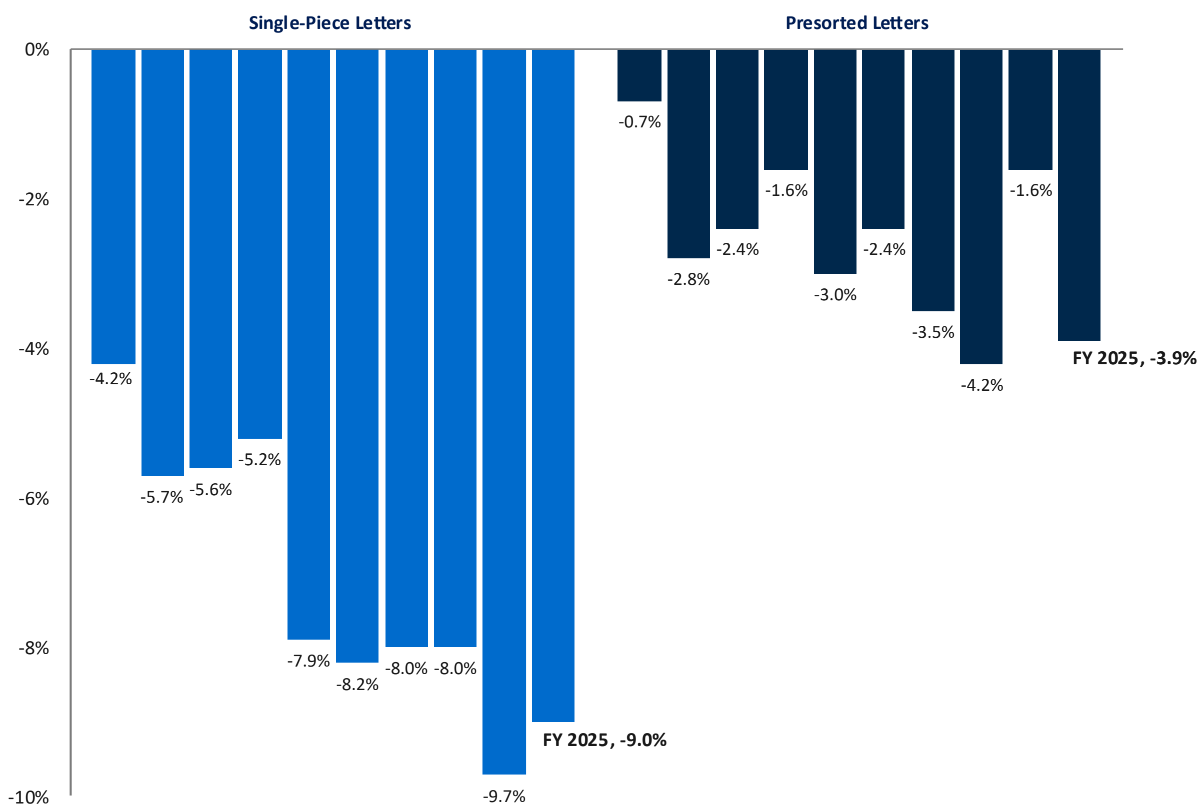
Source: PRC derived from United States Postal Service, Cost Segments & Components Report FY 2025, April 8, 2026 (Postal Service FY25 CSC Report); United States Postal Service, Cost Segments & Components Report FY 2024, April 8, 2025 (Postal Service FY24 CSC Report) (Collectively Postal Service CSC Report FY 2024–FY 2025).

Both Single-Piece and Presorted letters saw large unit cost increases in each functional cost category. For Single-Piece letters, last year's (FY 2023 to FY 2024) decreases in rural carrier and transportation cost segments were completely wiped out in FY 2025. Unit mail processing cost, which increased by 12.8 percent from FY 2023 to FY 2024, was followed by a 3.8 percent increase in FY 2025. Presorted letters experienced very similar unit cost changes between FY 2024 and FY 2025.

FIRST-CLASS MAIL LETTERS IN THE LAST DECADE

While the volume loss for First-Class Mail letters appears to have stabilized in FY 2025, First-Class Mail letter volume has declined in each year of the PAEA era for both the Single-Piece and Presorted category. The volume loss for First-Class Mail letters was least severe at the beginning of the last decade. Since then, Presorted 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, a phenomenon that the Postal Service refers to as the pattern of shock, recovery, and aftershock, which has followed the Great Recession.[66] Whether FY 2024 marks the beginning of the "intervening period" before the next macroeconomic "shock" event leads to the next steep decline in Single-Piece letter volume remains to be seen. First-Class Mail letter volume changes of the last decade are depicted in Figure III-13.

Figure III-13
Percent Change in Volume for First-Class Mail Letters, FY 2016 – FY 2025

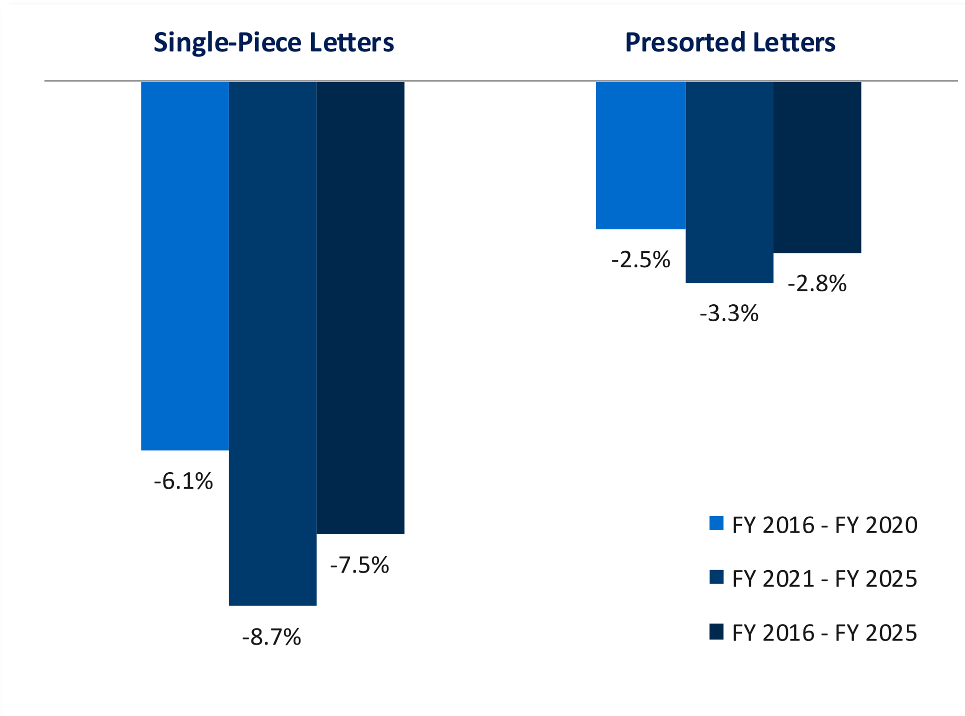


Source: Postal Service's Product Finances, FY 16 - FY 25.

While volume reductions for Single-Piece and Presort letters followed different patterns, average annual volume losses have accelerated in the second half of the last decade for both letter categories, as shown in Figure III-14 below.

[66] *See* FY 2024 ACR at 6-7. *See also* Docket No. RM2024-4, Reply Comments of the United States Postal Service in Response to Order No. 7032, September 12, 2024 (RM2024-4 USPS Reply Comments), at 26-33.

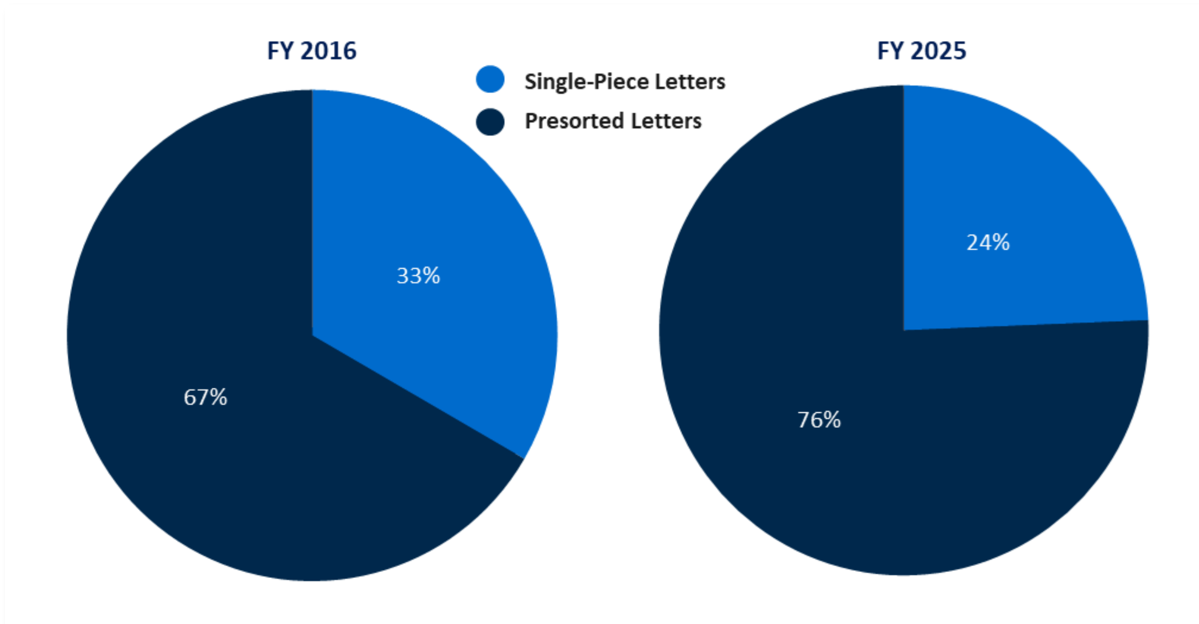
Figure III-14
Compound Average Annual Change in Single-Piece and Presorted Letter Volume (Percent), FY 2016 – FY 2025



Source: Postal Service's Product Finances, FY 16 - FY 25.

With steeper declines in Single-Piece letters, their share of total First-Class Mail letter volume decreased from 33 percent in FY 2016 to 24 percent in FY 2025.

Figure III-15
First-Class Mail Letter Volume Make-Up, FY 2016 and FY 2025

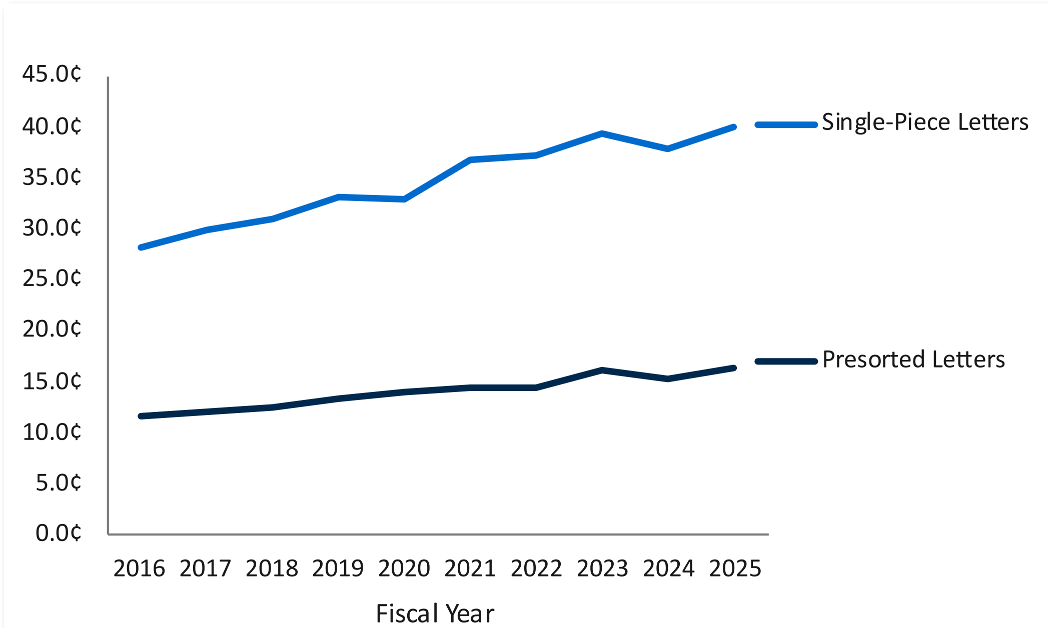


Source: PRC-LR-ACR2016/1; PRC-LR-ACR2025-1.

As letter volumes have declined over the last ten years, their unit costs have increased. Figure III-16 illustrates that unit cost decreases of FY 2024 were not sustained and FY 2025 increases more than outweighed the declines of the prior year. [67] As a result, the FY 2025 unit attributable cost for Single-Piece and Presorted letters exceeded their FY 2023 levels.

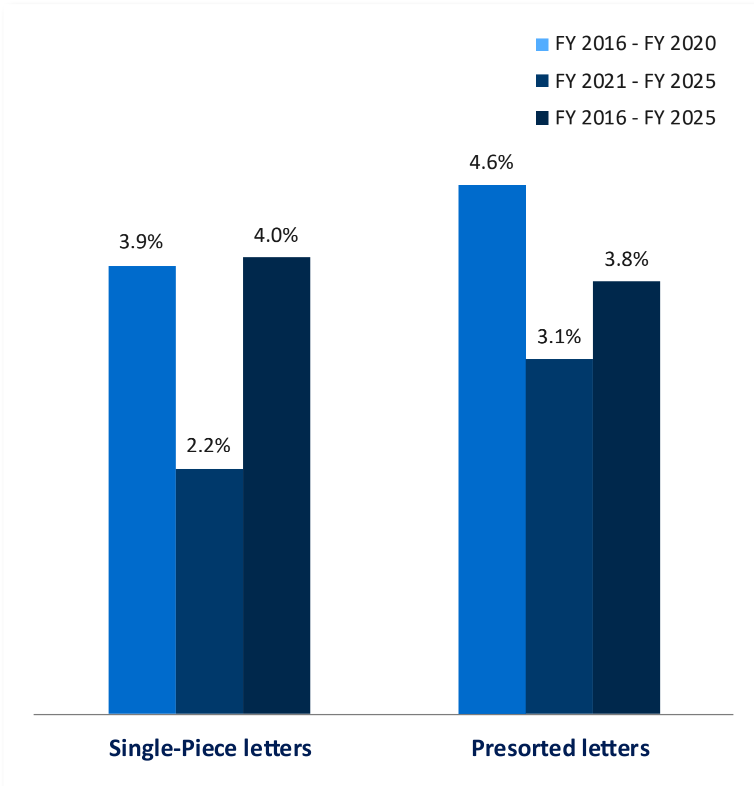
[67] The reductions in unit attributable costs in FY 2024 were driven by methodological changes that reduced the amount of city carrier costs allocated to letter-shaped mail. *See* FY 2024 Financial Report at 60.

Figure III-16
Unit Attributable Cost for First-Class Mail Letters (Cents per Piece), FY 2016 –FY 2025



Source: Postal Service’s Product Finances, FY 16 - FY 25.

Figure III-17
Compound Average Annual Change in Unit Attributable Cost for First-Class Mail Letters (Percent), FY 2016 – FY 2025



Source: Postal Service's Product Finances, FY 16 - FY 25.

The data in Figure III-17 show that average annual unit cost increases have slowed down for both categories of First-Class Mail letters in the second half of the last decade.

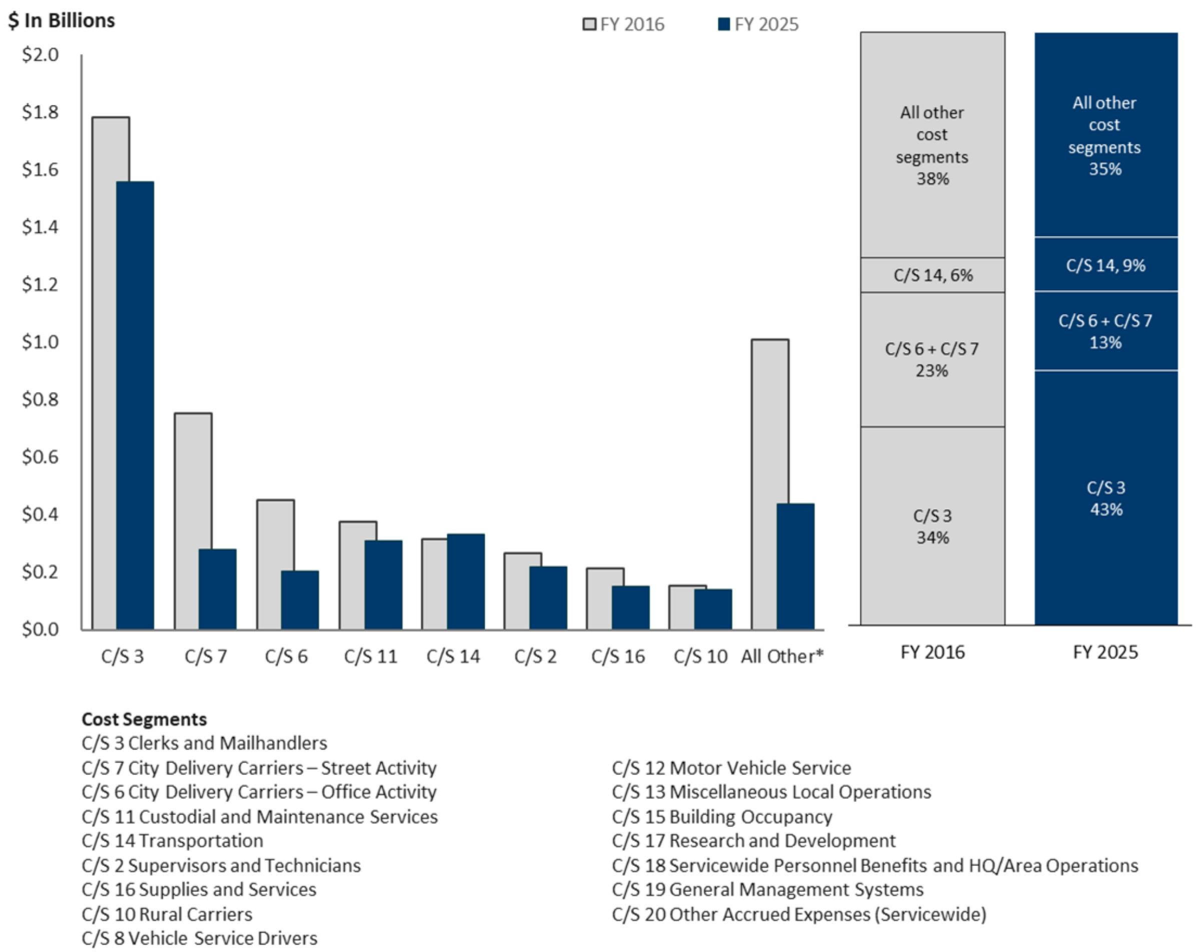
Figure III-18 depicts attributable costs for First-Class Mail Single-Piece letters by cost segment at the beginning and the end of the last decade. The figure shows that Cost Segment 3, which includes salaries, benefits, and related expenses for clerks and mail handlers primarily involved in mail processing activities, was the largest cost segment both in FY 2016 and in FY 2025.

First-Class Mail Single-Piece letter volume decreased by one-half (50.4 percent) between FYs 2016 and 2025. 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 2025 are only 13 percent below the segment's FY 2016 reported amount, while for Cost Segment 14, which includes expenses on purchased transportation, attributable cost for FY 2025 was 6 percent higher than in FY 2016.

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 2016 and FY 2025 shifted markedly. For example, mail processing (Cost Segment 3) accounted for 34 percent of the total attributable cost of First-Class Mail Single-Piece letters in FY 2016, 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 2025 (43 percent) than it did in FY 2016 (34 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.

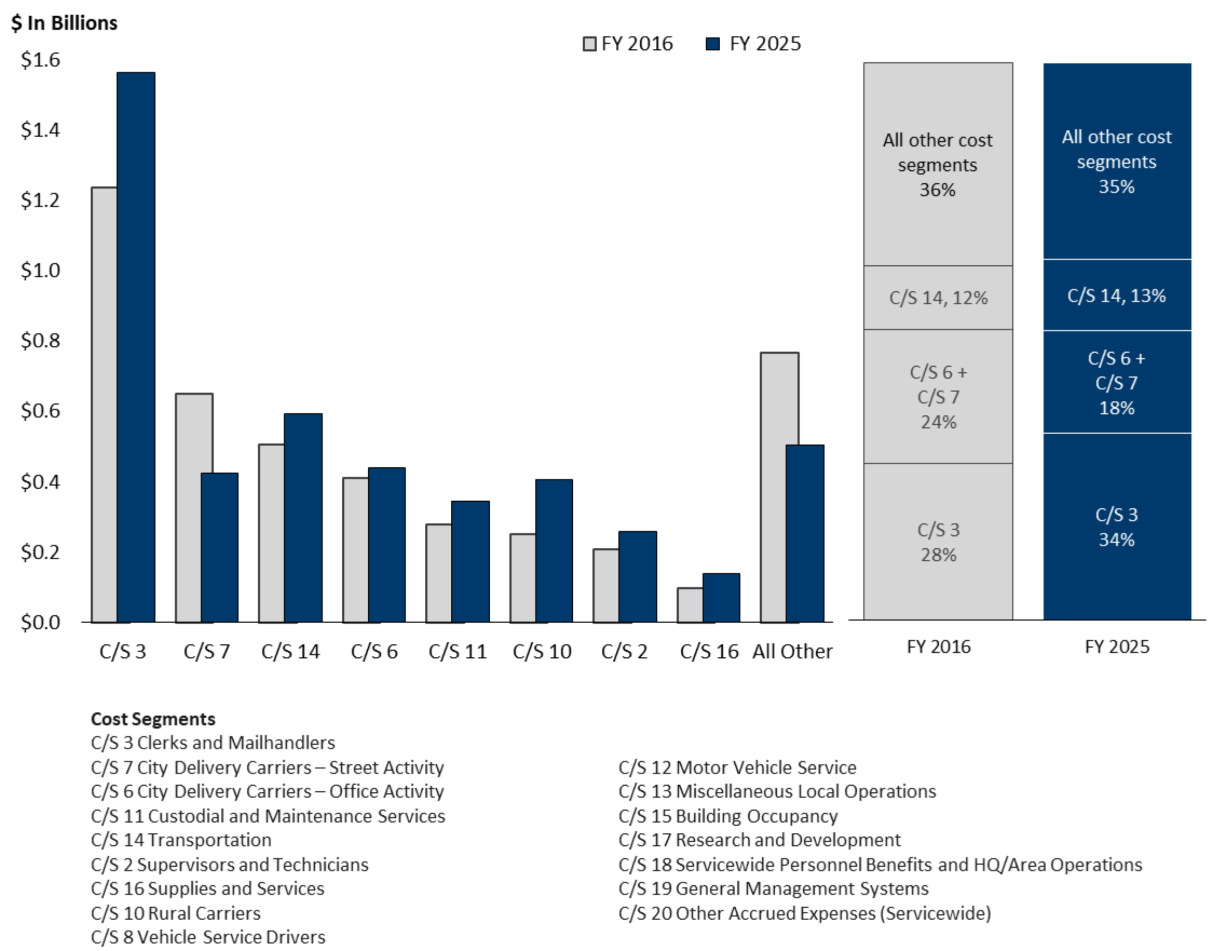
Figure III-18
Composition of First-Class Mail Single-Piece Letters Attributable Costs ($ Billions)
FY 2016, FY 2025



Note: The cost-shares presented in the figure are based on costs that are not “piggybacked.”
Source: Docket No. ACR2016, Library Reference USPS-FY16-2, December 29, 2016 (USPS-FY16-2); Docket No. ACR2025, Library Reference USPS-FY25-2, December 29, 2025 (USPS-FY25-2).

Figure III-19 presents similar information for First-Class Mail Presorted letters. First-Class Mail Presorted letters volume loss in the last decade was less severe (-22.8 percent) than for Single-Piece letters. However, attributable cost declined only for Cost Segment 7 (City Delivery Carriers – Street Activity), and for “All Other” cost segments combined. For seven cost segments, FY 2025 attributable costs exceeded their FY 2016 levels. The data in Figure 19 show that FY 2025 costs exceeded FY 2016 levels by negligible amounts for some cost segments, while for others, they have increased substantially. For example, FY 2025 Cost Segment 6 (City Delivery Carriers – Office Activity) costs are 7 percent higher than FY 2016 costs for that cost segment. In contrast, Cost Segment 10 (Rural Carriers) costs are 62 percent higher in FY 2025 than in FY 2016. For Cost Segment 3 (Clerks and Mailhandlers), the 22.8 percent decline in volume was accompanied by a 26.6 percent increase in attributable cost.

Figure III-19
Composition of First-Class Mail Presorted Letters Attributable Costs ($ Billions)
FY 2016, FY 2025



Note: The cost-shares presented in the figure are based on costs that are not "piggybacked."
Source: USPS-FY16-2; USPS-FY25-2.

FIRST-CLASS MAIL FLATS SINCE LAST YEAR

Table III-5 shows changes in total volume and revenue for First-Class Mail Flats since FY 2024. The volume has continued to decline in FY 2025, although not as severe as in FY 2024 (-4.3 percent in FY 2025 vs -9.8 percent in FY 2024).

Despite the volume decrease, total revenue for First-Class Mail Flats increased by 3.2 percent in FY 2025. On a per piece basis, Single-Piece flats revenue increased by 9.6 percent, and it increased by 6.3 percent for Presorted flats.

Table III-5
First-Class Mail Flats Volume and Revenue, FY 2024 – FY 2025

	Flats		
	Single-Piece	Presorted	Total
Volume (Millions):			
FY 2024	437	441	**878**
FY 2025	407	433	**840**
Change	(30)	(8)	**(38)**
% Change	(6.8%)	(1.8%)	**(4.3%)**
Revenue ($ Millions):			
FY 2024	$ 927	$ 809	**$ 1,736**
FY 2025	947	844	**$ 1,791**
$ Change	20	35	**$ 55**
% Change	2.10%	4.40%	**3.20%**

Source: Postal Service’s Product Finances, FY 24 - FY 25.

Table III-6 summarizes changes in attributable cost since FY 2024. Total attributable costs for First-Class Mail Flats decreased by 0.3 percent but increased on a per piece basis by 4.1 percent. This is higher than the increase in average unit attributable cost for total Market Dominant mail (2.7 percent) for FY 2025.[68] For Single-Piece flats, the unit cost increased 3.2 percentage points more than did unit revenue. The Postal Service claims unit attributable cost increases for First-Class Mail Flats are due to increases in transportation and delivery unit costs.[69] For transportation cost, the Postal Service explains that domestic air, which accounted for 25.2 percent of First-Class Mail Flats’ purchased transportation cost, saw a 65.5 percent cost increase.[70]

[68] *See*, *e.g.*, Library Reference USPS-FY25-45, Rule 3050.50, PDF file “Part B Narratives - FY 25 Rule 3050.50” (USPS-FY25-45 Rule 3050.50 Paragraph (b) Narratives), at 2.
[69] USPS-FY25-45 Rule 3050.50 Paragraph (b) Narratives at 1.
[70] Notice of the United States Postal Service of Filing its Responses to Questions 1-10, 12-21, 23-36, 38-49 of Chairman’s Information Request No. 2 and of Filing Materials Under Seal – First Response Set, January 23, 2026 (January 23 Response to CHIR No. 2), question 27.

Table III-6
First-Class Mail Flats Attributable Cost and
Average Unit Attributable Cost, FY 2024 – FY 2025

	Flats		
	Single-Piece	**Presorted**	**Total**
Attributable Cost: ($ Millions)			
FY 2024	$ 844	$ 550	**$ 1,396**
FY 2025	828	560	**$ 1,391**
$ Change	(16)	10	**($5)**
% Change	(1.9%)	1.9%	**(0.3%)**
Unit Attributable Cost: (Cents per Piece)			
FY 2024	193.2₵	124.7₵	**159.1₵**
FY 2025	203.4	129.4	**165.6₵**
₵ Change	10.2	4.7	**6.6₵**
% Change	5.3%	3.8%	**4.1%**

Source: Postal Service's Product Finances, FY 24 - FY 25.

Unit cost changes between FY 2024 and FY 2025 for major functional cost categories are included in Table III-7. These include all indirect costs piggybacked on the direct cost.

Table III-7
First-Class Mail Flats Unit Attributable Cost by Cost Segment, FY 2024 – FY 2025

	Cost Segments				
	Mail Processing	**City Carriers**	**Window Service**	**Rural Carriers**	**Transportation**
Cents per Piece:					
FY 2024	21.7₵	6.3₵	2.4₵	1.7₵	3.1₵
FY 2025	22.5	6.6	2.5	1.8	3.6
% Change	3.8%	5.2%	5.7%	7.8%	15.9%

Source: PRC derived from Postal Service CSC Report, FY 2024–FY 2025.

The city and rural carrier unit cost reductions in FY 2024 (13.5 percent and 19.9 percent, respectively) which were at least partially associated with the newly implemented city and rural carrier costing methodologies, were almost entirely offset by cost increases in FY 2025.[71]

FIRST-CLASS MAIL FLATS IN THE LAST DECADE

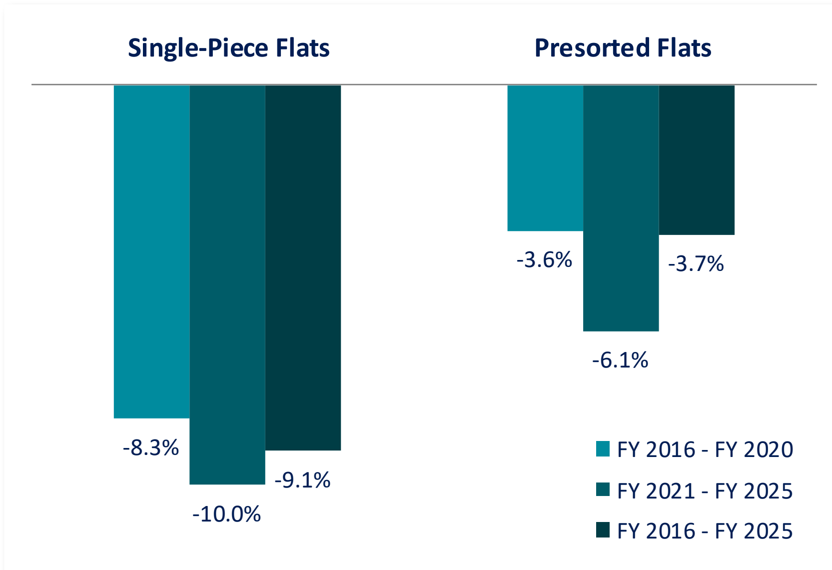
The volume of First-Class Mail Flats has persistently declined over the last decade. Since FY 2016, total First-Class Mail Flats volume has declined by 46.5 percent, with Single-Piece flats experiencing a steeper (57.6 percent) decline compared to the 29.0 percent decline for Presorted flats.

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 about 8.3 percent annually between FY 2016 and FY 2020 and deepened to about 10.0 percent average annual decline in FY 2021 through FY 2025. While Presorted flats volume losses were less steep, they have similarly accelerated in the last 5 years. In FY 2016, Single-Piece flats accounted for 61 percent of total First-Class Mail Flats volume; by FY 2025, they accounted for only 48 percent.

The Postal Service attributes the volume loss in First-Class Mail Flats to continued shifts from paper to digital documents and an increased use of web-based transactions.[72] In the case of Presorted flats, which are generated by businesses, increases in the cost of production and inflation in general might be encouraging some of the volume diversion to digital alternatives.[73]

[71] FY 2024 Financial Report at 65.
[72] USPS-FY25-45 Rule 3050.50 Paragraph (b) Narratives at 4.
[73] USPS-FY25-45 Rule 3050.50 Paragraph (b) Narratives at 5.

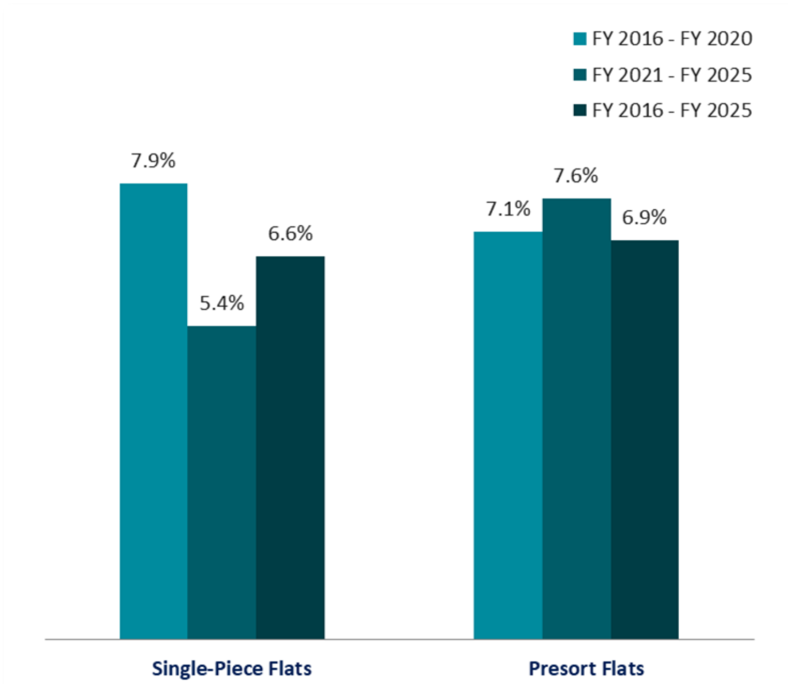
Figure III-20
Compound Average Annual Change in Single-Piece and Presorted Flats Volume (Percent), FY 2016 – FY 2025



Source: Postal Service's Product Finances, FY 16 - FY 25.

Figure III-21 presents change in the average unit attributable cost for First-Class Mail Single-Piece and Presorted flats since FY 2016. While the average unit attributable costs have increased steadily over the last ten years, Single-Piece flats experienced faster unit cost growth than Presorted flats in the first half of the last decade. However, with the increase in unit costs for Presorted flats accelerating in the second half of the decade but slowing down for Single-Piece flats, the ten-year average increase in unit cost for Presorted flats is higher than it is for Single-Piece flats (6.9 percent vs 6.6 percent, respectively). The recent rise in unit costs for Presorted flats is a point of concern, as they accounted for 52 percent of total volume for First-Class Flats in FY 2025, up from 39 percent in FY 2016.

Figure III-21
Compound Average Annual Change in Unit Attributable Cost for First-Class Mail Flats (Percent), FY 2016–FY 2025



Source: Postal Service's Product Finances, FY 16 - FY 25.

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, volume declined in FY 2025, while revenue declined only for the two international First-Class Mail categories.

Table III-8
Other First-Class Mail Volume and Revenue, FY 2024 – FY 2025

	Total Cards	Outbound FCMI	Inbound Letter Post	Total Other FCM
Volume: (Millions)				
FY 2024	**2,777**	89	65	**2,931**
FY 2025	**2,667**	75	58	**2,800**
Change	**(110)**	(14)	(7)	**(131)**
% Change	**(4.0%)**	(15.5%)	(10.9%)	**(4.5%)**
Revenue: ($ Millions)				
FY 2024	**$ 1,069**	$ 172	$ 49	**$ 1,290**
FY 2025	**$ 1,096**	153	47	**$ 1,296**
$ Change	**$ 27**	(19)	(2)	**$ 6**
% Change	**2.5%**	(11.1%)	(4.1%)	**0.5%**

Source: Postal Service's Product Finances, FY 24 - FY 25.

The data in Table III-9 show that total attributable cost decreased for all categories of "Other First-Class Mail" since FY 2024. However, since cost declined less than volume for all categories but Inbound Letter Post, most categories of "Other First-Class Mail" saw unit attributable cost increase in FY 2025.

Table III-9
Other First-Class Mail Attributable Cost and Average Unit Attributable Cost
FY 2024 – FY 2025

	Total Cards	Outbound FCMI	Inbound Letter Post	Total Other FCM
Attributable Cost: ($ Millions)				
FY 2024	$ 358	$ 104	$ 36	$ 499
FY 2025	$ 353	102	31	$ 486
$ Change	($6)	(2)	(5)	($13)
% Change	(1.6%)	(2.3%)	(12.7%)	(2.6%)
Unit Attributable Cost: (Cents per Piece)				
FY 2024	12.9₵	117.1₵	55.3₵	17.0₵
FY 2025	13.2₵	135.4	54.2	17.4₵
₵ Change	0.3₵	18.3	(1.1)	0.3₵
% Change	2.5%	15.6%	(2.1%)	2.0%

Source: Postal Service's Product Finances, FY 24 - FY 25.

USPS Marketing Mail

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

USPS MARKETING MAIL PRODUCTS

- High Density and Saturation Letters
- High Density and Saturation Flats/Parcels
- Carrier Route
- Letters
- Flats
- Parcels
- Every Door Direct Mail—Retail

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 2025 change in volume and revenue for letter-shaped USPS Marketing Mail.[74] Volume and revenue increased overall and for each product. The overall volume increase was driven by High Density and Saturation Letters, while the overall revenue increase was driven by USPS Marketing Mail Letters. The Postal Service describes the slight increase in USPS Marketing Mail Letters volume as resulting from "some migration of flats to Letters, likely driven by a change of marketing strategy or an effort to reduce overall postage costs."[75] And it attributes the 8.7 percent increase in High Density and Saturation Letters to an increase in political/election mail in the first quarter of FY 2025.[76]

Table III-10
USPS Marketing Mail Letters Volume and Revenue
FY 2024 – FY 2025

	Letters	HDS Letters	Total Letters
Volume: (Millions)			
FY 2024	37,841	5,536	**43,377**
FY 2025	37,912	6,017	**43,929**
Change	71	481	**552**
% Change	0.2%	8.7%	**1.3%**
Revenue: ($ Millions)			
FY 2024	$ 9,918	$ 1,186	**$ 11,104**
FY 2025	10,475	1,324	**$ 11,799**
$ Change	557	138	**$ 695**
% Change	5.6%	11.6%	**6.3%**

Source: Postal Service's Product Finances, FY 24 - FY 25.

Table III-11 summarizes the change in attributable cost for letter-shaped USPS Marketing Mail since FY 2024. Overall, attributable cost increased by 6.6 percent, and unit cost increased by 5.2 percent. Of USPS Marketing Mail letter products, unit cost decreased for High Density and Saturation Letters and increased for USPS Marketing Mail Letters. The

[74] USPS Marketing Mail letters refers to letter-shaped Marketing Mail, which is the sum of the Letters and High Density and Saturation Letters products.
[75] USPS-FY25-45 Rule 3050.55 Paragraph (b) Narratives at 17.
[76] *Id*. at 20.

Postal Service states that the unit cost increase for USPS Marketing Mail Letters was primarily driven by a 6.7 percent increase in delivery and a 5.6 percent increase in mail processing cost per piece.[77] The Postal Service also describes the updated rental analysis, which the Commission approved in FY 2025, as "[t]he only impactful change to Commission costing methods" with respect to the improved overall mail class cost coverage for USPS Marketing Mail in FY 2025, which it states is primarily driven by USPS Marketing Mail Letters.[78] The Postal Service adds that it "believes" that the cost impact estimate (in percentage terms) of the updated rental analysis "remains valid" for Marketing Mail.[79] Following the Postal Service's argument, unit cost for USPS Marketing Mail Letters would have increased more (by 9.0 percent rather than 6.9 percent), and for High Density and Saturation Letters it would have decreased less (by -4.5 percent rather than -5.9 percent) between FY 2024 and FY 2025 without the methodological changes in facility rental analysis adopted in FY 2025.[80] For letter-shaped USPS Marketing Mail overall, unit attributable cost would have increased by 7.3 percent, or about 2.1 percentage points more, in the absence of updates to facility rental analysis.

[77] *Id*. at 2.

[78] Notice of the United States Postal Service of Filing its Responses to Questions 1-20, 22-24, 26, 28-29, 31-38 of Chairman's Information Request No. 1 and of Filing Materials Under Seal – First Response Set, January 16, 2026 (January 16 Response to CHIR No. 1), questions 4.a. and 4.e.

[79] *See* January 16 Response to CHIR No. 1, question 4.e. *See also* Docket No. RM2025-6, Petition of the United States Postal Service to Initiate a Proceeding to Change Analytical Principles and Notice of Filing Non-Public Materials, December 19, 2024 (RM2025-6 Petition), Proposal attached to the RM2025-6 Petition at 10-11, 13.

[80] *See*, *generally*, Docket No. RM2025-6, Order on Analytical Principles Used for Periodic Reports Concerning Updates Facility Rental Analysis, FY 2025, March 14, 2025 (Order No. 8737).

Table III-11
USPS Marketing Mail Letters Attributable Cost and Average Unit Attributable Cost
FY 2024 – FY 2025

	Letters	HDS Letters	Total Letters
Attributable Cost: ($ Millions)			
FY 2024	$ 4,678	$ 532	$ 5,209
FY 2025	5,008	544	$ 5,552
$ Change	330	12	$ 342
% Change	7.1%	2.3%	6.6%
Unit Attributable Cost: (Cents per Piece)			
FY 2024	12.4₵	9.6₵	12.0₵
FY 2025	13.2	9.0	12.6₵
₵ Change	0.8	(0.6)	0.6₵
% Change	6.9%	(5.9%)	5.2%

Source: Postal Service's Product Finances, FY 24 - FY 25.

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

Table III-12
USPS Marketing Mail Letters Unit Attributable Cost by Cost Segment
FY 2024 and FY 2025

	Cost Segment			
	Mail Processing	City Carriers	Rural Carriers	Transportation
HDS Letters: (Cents per Piece)				
FY 2024	2.74₵	3.51₵	2.89₵	0.47₵
FY 2025	2.33	3.45	2.87	0.31
% Change	(15.0%)	(1.6%)	(0.8%)	(34.4%)
Letters: (Cents per Piece)				
FY 2024	5.45₵	3.56₵	1.81₵	0.60₵
FY 2025	5.76	3.81	1.93	0.70
% Change	5.60%	6.80%	6.50%	16.60%

Source: PRC derived from Postal Service CSC Report, FY 2024–FY 2025.

The 5.9 percent unit cost decrease for High Density and Saturation Letters in FY 2025 resulted from unit cost decreases for every major cost segment, while the 6.9 percent increase in unit cost for USPS Marketing Mail Letters resulted from unit cost increases for every major cost segment.

The Postal Service alludes to "a smaller percentage change in workhours than the corresponding increase in wage for clerks and carriers" to explain cost increases for the mail class as a whole, but subsequently clarifies that "the changes in annual work hours do not directly translate into quantifiable measurable changes in attributable costs [...] for individual products or mail classes."[81]

The FY 2025 increase in rural carrier cost per USPS Marketing Mail Letters mailpiece followed a 22.2 percent cost increase from FY 2024, and the 16.6 percent increase in

[81] January 16 Response to CHIR No. 1, questions 4.a., 4.c.

transportation completely wiped-out last year's reduction in unit transportation cost for the product.

USPS MARKETING MAIL IN THE LAST DECADE

As shown in Figure III-22, the first five years of the last decade saw more substantial volume declines for USPS Marketing Mail Letters than the most recent five years (*i.e.*, since FY 2021). On the other hand, volume decrease accelerated for High Density and Saturation Letters, from about 1.7 percent annually in the first half of the last decade to about 2.0 percent in the second half. Even though USPS Marketing Mail Letters declined more steeply in the last decade, the product still accounted for 86 percent of USPS Marketing Mail letter-shaped volume in FY 2025, down from 87 percent in FY 2016.

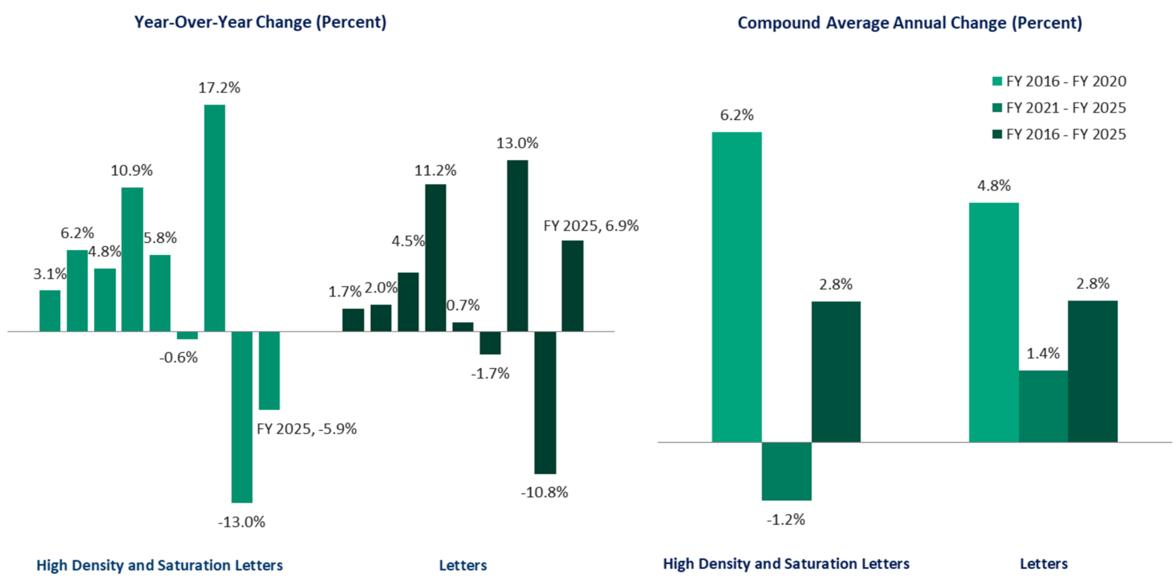
Figure III-22
Compound Average Annual Change in
USPS Marketing Mail Letters Volume (Percent), FY 2016 – FY 2025

Source: Postal Service's Product Finances, FY 16 - FY 25.

The declines in unit attributable costs over the last two fiscal years for High Density and Saturation Letters were sizeable enough to lower the ten-year average cost increase from 6.2 percent to 2.8 percent . Since the Postal Service claims it is unable to measure financial impacts of the DFA Plan initiatives on individual products or even mail classes,[82] it is unclear to what extent the FY 2025 unit cost for High Density and Saturation Letters reflects expected efficiency gains from DFA. Gains in operational efficiencies, as well as reduced cost attribution related to methodological changes, would likely continue to positively impact unit attributable costs in FY 2026 and beyond.

As for USPS Marketing Mail Letters, the year-over-year unit cost changes in the second half of the last decade ranged from -10.8 percent to 13.0 percent. It is these offsetting unit cost changes in subsequent years that have suppressed the five-year average to 1.4 percent. This pattern may suggest that the slowdown in unit cost increases is not due to targeted cost-reducing operational changes that will persist in the future.

Figure III-23
Annual Change and Compound Average Annual Change in Unit Attributable Cost for USPS Marketing Mail Letters (Percent), FY 2016 – FY 2025



Source: Postal Service's Product Finances, FY 16 - FY 25.

USPS MARKETING MAIL FLATS SINCE LAST YEAR

Table III-13 summarizes changes in volume and revenue for flat-shaped USPS Marketing Mail since FY 2024.[83] Volume for all flat-shaped USPS Marketing Mail products declined in FY 2025. Carrier Route flats experienced the largest proportional decrease in volume (20.6

[82] *See*, *e.g.*, January 16 Response to CHIR No. 1, question 4.d.
[83] Some products include parcels; however, those products contain predominantly flat-shaped mailpieces.

percent). Volume decline for USPS Marketing Mail Flats was similarly large (-13.9 percent). As for High Density and Saturation Flats/Parcels, the Postal Service states that the relatively smaller (3.6 percent) decline in volume was "largely driven by election and political mail temporarily boosting volume in the first quarter of FY 2025.[84]

Revenue for all products but EDDM - Retail declined as well, although less steeply than volume.

Table III-13
USPS Marketing Mail Flats Volume and Revenue, FY 2024 – FY 2025

	HDS Flats/Parcels	Carrier Route	Flats	EDDM - Retail	Total Flats
Volume: (Millions)					
FY 2024	8,165	3,459	1,937	583	**14,144**
FY 2025	7,869	2,745	1,668	559	**12,842**
Change	(296)	(714)	(268)	(24)	**(1,302)**
% Change	(3.6%)	(20.6%)	(13.9%)	(4.1%)	**(9.2%)**
Revenue: ($ Millions)					
FY 2024	$ 1,685	$ 1,290	$ 1,185	$ 120	**$ 4,280**
FY 2025	1,683	1,109	1,130	128	**$ 4,050**
$ Change	(2)	(181)	(55)	7	**($230)**
% Change	(0.1%)	(14.0%)	(4.6%)	6.2%	**(5.4%)**

Source: Postal Service's Product Finances, FY 24 - FY 25.

Table III-14 summarizes the FY 2025 changes in USPS Marketing Mail flats attributable cost. Attributable cost for flat-shaped USPS Marketing Mail in aggregate, and for each flats product, declined in FY 2025. On a per piece basis, attributable cost declined only for High Density and Saturation Flats/Parcels and EDDM – Retail. Unit cost increases for Carrier Route and USPS Marketing Mail Flats were greater than the increase in unit cost for total Market Dominant mail (2.7 percent). The Postal Service explains the unit cost increases for Carrier Route and USPS Marketing Mail Flats were driven by increases in mail processing,

[84] USPS-FY25-45 Rule 3050.50 Paragraph (b) Narratives at 8.

delivery, Vehicle Service Drivers and, in the case of USPS Marketing Mail Flats, in transportation unit costs (which was itself driven by increase in domestic air cost).[85]

Table III-14
USPS Marketing Mail Flats Attributable Cost and Average Unit Attributable Cost
FY 2024 – FY 2025

	HDS Flats/Parcels	Carrier Route	Flats	EDDM - Retail	Total Flats
Attributable Cost: ($ Millions)					
FY 2024	$ 1,072	$ 952	$ 1,553	$ 40	**$ 3,617**
FY 2025	916	832	1,534	36	**$ 3,318**
$ Change	(156)	(120)	(19)	(4)	**($298)**
% Change	(14.5%)	(12.6%)	(1.2%)	(10.0%)	**(8.2%)**
Unit Attributable Cost: (Cents per Piece)					
FY 2024	13.1₵	27.5₵	80.2₵	6.9₵	**25.6₵**
FY 2025	11.6	30.3	92.0	6.5	**25.8₵**
₵ Change	(1.5)	2.8	11.8	(0.4)	**0.3₵**
% Change	(11.3%)	10.1%	14.7%	(6.1%)	**1.1%**

Source: Postal Service's Product Finances, FY 24 - FY 25.

Table III-15 summarizes changes in average unit attributable costs for major cost segments. Following last year's decreases in unit city and rural carrier costs, which were at least partly associated with changes in costing methodologies implemented in FY 2024, unit costs for these cost segments increased in FY 2025 for Carrier Route and USPS Marketing Mail Flats.[86] The Postal Service explains these unit delivery cost increases reflect wage increases for city and rural carriers.[87] These same products, which are the costliest of USPS Marketing Mail flats products, also saw sizeable increases in unit mail processing

[85] *See* January 16 Response to CHIR No. 1 question 4.a.; *see also* USPS-FY25-45 Rule 3050.50 Paragraph (b) Narratives at 3; *see also* January 23 Response to CHIR No. 2, question 27.
[86] FY 2024 Financial Report at 74-75.
[87] Notice of the United States Postal Service of Filing its Responses to Questions 1-9, 11-25 of Chairman's Information Request No. 7 and Notice of Filing Materials Under Seal – First Response Set, February 6, 2026 (February 6 Response to CHIR No. 7), question 9.b.

costs. The Postal Service attributes increase in mail processing cost to increase in wages and decline in productivity of mail handlers.[88]

Table III-15
USPS Marketing Mail Flats Unit Attributable Cost by Cost Segment, FY 2024 – FY 2025

	Cost Segment			
	Mail Processing	City Carriers	Rural Carriers	Transportation
HDS Flats/Parcels: (Cents per Piece)				
FY 2024	1.2₵	4.9₵	5.7₵	0.32₵
FY 2025	1.1	4.6	4.8	0.25
% Change	(6.0%)	(6.2%)	(16.3%)	(20.6%)
Carrier Route: (Cents per Piece)				
FY 2024	8.2₵	11.3₵	5.9₵	1.34₵
FY 2025	9.3	11.5	7.0	1.29
% Change	13.2%	2.3%	20.3%	(4.2%)
Flats: (Cents per Piece)				
FY 2024	47.1₵	17.5₵	5.9₵	7.1₵
FY 2025	51.6	20.8	7.3	8.4
% Change	9.7%	19.2%	24.9%	18.4%
EDDM – Retail: (Cents per Piece)				
FY 2024	0.4₵	4.8₵	1.3₵	0.036₵
FY 2025	0.2	4.6	1.4	0.039
% Change	(44.3%)	(4.9%)	0.3%	9.3%

Source: PRC derived from Postal Service CSC Report, FY 2024–FY 2025.

USPS MARKETING MAIL FLATS IN THE LAST DECADE

Flat-shaped USPS Marketing Mail has lost 38 percent of its volume over the last decade, which is equivalent to an average annual decline of about 5.3 percent. For individual

[88] February 6 Response to CHIR No. 7, question 9.a.

products, Carrier Route volume declined by 59 percent, followed by EDDM – Retail (-31 percent), High Density and Saturation Flats/Parcels (-29 percent), and USPS Marketing Mail Flats (-25 percent).

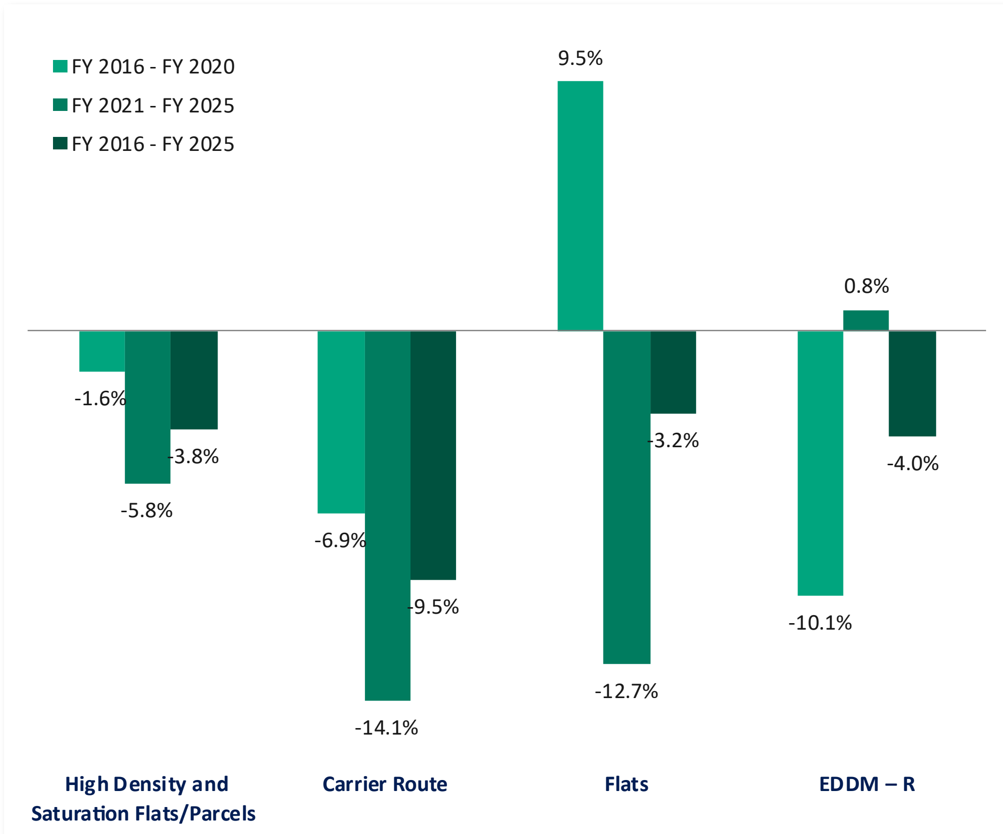
As shown in Figure III-24, volume decreases for High Density and Saturation Flats/Parcels and Carrier Route flats accelerated in the second half of the last decade. For USPS Marketing Mail Flats, the average annual increases of about 9.5 percent in the first half of the decade were followed by decreases of about 12.7 percent per year, on average.

The Postal Service lists several factors that have contributed to USPS Marketing Mail volume declines in the last decade, including the use of social media as a new channel for advertising, advertisers curtailing their budgets, consolidations or closures of businesses in the printed catalog industry, inflation, and higher-than-average price increases for USPS Marketing Mail Flats and Carrier Route products.[89] In more recent years, the Postal Service describes fear of recession as having a potential to dampen spending on advertising, as well as the rise in the cost of inputs for many industries due to the introduction of tariffs in FY 2025.[90]

The Postal Service also notes a trend of declining Commercial flats volume compared to Nonprofit flats in the last ten years, stating that this has negatively impacted average revenue and average contribution per piece.[91]

[89] USPS-FY25-45 Rule 3050.50 Paragraph (b) Narratives at 7-8.
[90] *Id*.
[91] *Id*. at 9.

Figure III-24
Compound Average Annual Change in
USPS Marketing Mail Flats Volume (Percent), FY 2016 – FY 2025

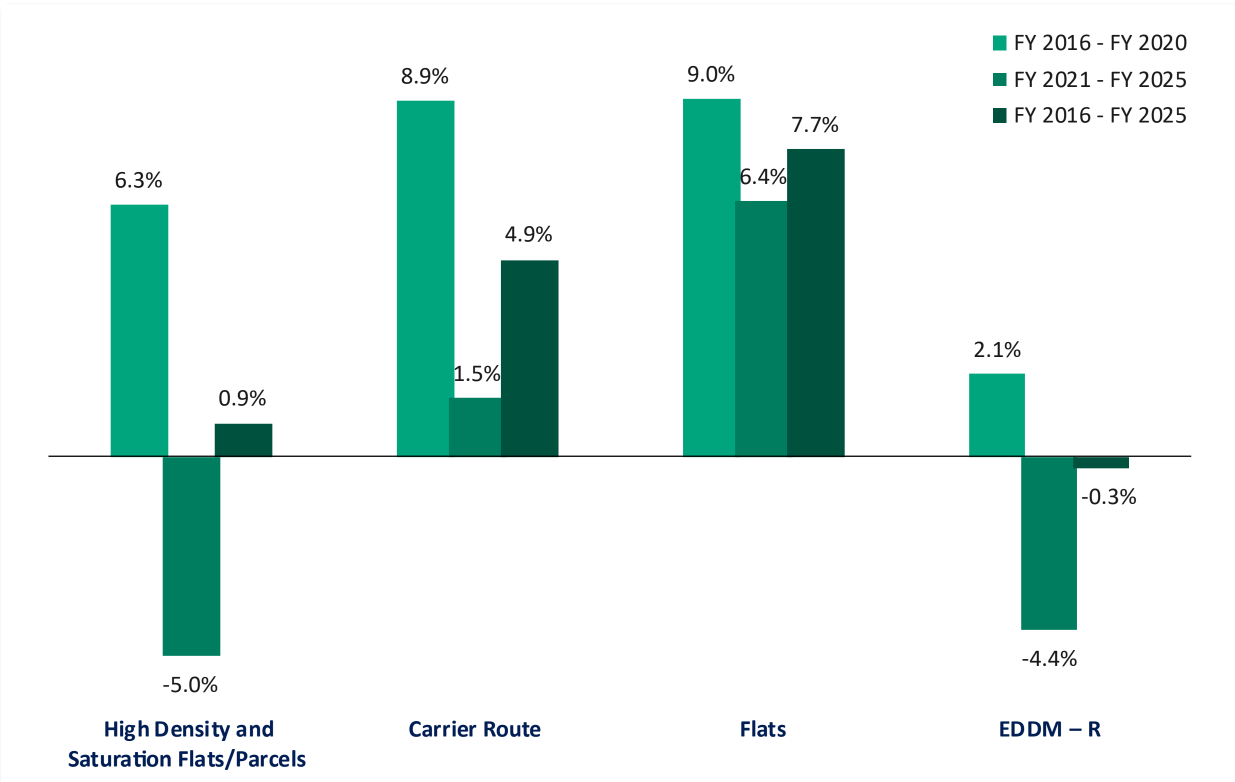


Source: Postal Service’s Product Finances, FY 16 - FY 25.

Unit attributable cost increases appear to have slowed down or even reversed for each flat-shaped USPS Marketing Mail flats product in the second half of the last decade compared to the first half. However, flats products “benefited” from the change in city and rural carrier costing methodologies implemented in FY 2024, which reduced delivery cost attribution to these products.[92] For a sustained improvement in USPS Marketing Mail flats products’ financial performance, cost reductions should be driven by wide-scale implementation of operational efficiency improvements.

[92] FY 2024 Financial Report at 74-75.

Figure III-25
Compound Average Annual Change in Unit Cost for USPS Marketing Mail Flats (Percent), FY 2016 – FY 2025



Source: Postal Service's Product Finances, FY 16 - FY 25.

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 treated 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 2024. Total Periodicals volume declined by 303 million pieces, representing an 11.0 percent decline. This decline was driven by Outside County Periodicals. The Postal Service sees continued digital diversion and diminishing number of titles as primary drivers of the Outside County Periodicals volume decline in FY 2025.[93] The Postal Service adds that 13,984 publications ceased mailing between FYs 2024 and 2025, which itself led to a 6.8 percent decline in Periodicals volume.[94]

In-County Periodicals volume increased by 3.9 percent in FY 2023, and by 7.0 percent in FY 2024. The Postal Service described these volume increases as potentially related to "increased demand for Postal Service delivery services over local delivery alternatives."[95] The Postal Service sees the subsequent (FY 2025) volume decline of 6.1 percent as associated with "above-inflation price increases" and "increases in mailers' non-postage input costs.[96]

Similarly to last year, FY 2025 revenue changes for Periodicals were more favorable for the Postal Service's financial position. The 11.0 percent decline in volume for the mail class was accompanied by a revenue decrease of only 3.1 percent. Similarly, the 12.1 percent decrease in Outside County volume has been accompanied by a 3.7 percent decrease in the product's revenue, while for In-County Periodicals, the decrease in volume has been accompanied by an increase in revenue (3.7 percent).

[93] USPS-FY25-45 Rule 3050.55 Paragraph (b) Narratives at 40.
[94] *Id*. at 12.
[95] *Id*. at 39.
[96] *Id*. at 39.

Table III-16
Periodicals Volume and Revenue, FY 2024 – FY 2025

	In-County	Outside County	Total Periodicals
Volume: (Millions)			
FY 2024	483	2,263	**2,746**
FY 2025	454	1,989	**2,443**
Change	(29)	(274)	**(303)**
% Change	(6.1%)	(12.1%)	**(11.0%)**
Revenue: ($ Millions)			
FY 2024	$ 73	$ 839	**$ 912**
FY 2025	76	808	**$ 883**
$ Change	3	(31)	**($29)**
% Change	3.7%	(3.7%)	**(3.1%)**

Source: Postal Service's Product Finances, FY 24 - FY 25.

Table III-17 compares total attributable cost and average unit attributable cost for Periodicals for FY 2024 and FY 2025. The total attributable cost for Periodicals decreased by $69 million, which represents a 5.5 percent decrease. The In-County volume decrease was accompanied by an increase in attributable cost, both for the product overall and on a per piece basis. As for Outside County, attributable costs did not decline as fast as volume and consequently, unit attributable cost for the product increased (by 6.4 percent).

The Postal Service states that the unit cost increase for In-County Periodicals was primarily driven by a 15.8 percent increase in delivery unit cost and a 10.5 percent increase in mail processing unit cost.[97] It also explains the unit cost increase for Outside County Periodicals was driven by a 28.7 percent increase in transportation unit cost and an 8.0 percent increase in delivery unit cost.[98] The Postal Service adds though that Periodicals benefited

[97] USPS-FY25-45 Rule 3050.50 Paragraph (b) Narratives at 3.
[98] *Id*. at 3.

from a cost reduction related to the updated rental analysis, which the Commission approved in FY 2025.[99]

Table III-17
Periodicals Attributable Cost and Average Unit Attributable Cost
FY 2024 – FY 2025

	In-County	Outside County	Total Periodicals
Attributable Cost: ($ Millions)			
FY 2024	$ 90	$ 1,159	**$ 1,250**
FY 2025	95	1,084	**$ 1,181**
$ Change	6	(76)	**($69)**
% Change	6.5%	(6.5%)	**(5.5%)**
Unit Attributable Cost: (Cents per Piece)			
FY 2024	18.5₵	51.2₵	**45.5₵**
FY 2025	21.0	54.5	**48.3₵**
₵ Change	2.5	3.3	**2.8₵**
% Change	13.4%	6.4%	**6.2%**

Source: Postal Service's Product Finances, FY 24 - FY 25.

Table III-18 includes data on average unit attributable cost for Outside County Periodicals disaggregated into major cost segments. As shown in Table 18, the average mail processing cost per mailpiece decreased again in FY 2025, following a 1.1 percent decrease in FY 2024. On the other hand, unit cost increases in rural carrier and transportation segments completely wiped out cost reductions from last year, which for rural carriers were most likely associated with a change in costing methodology rather than gains from operational efficiency improvements.[100] The Postal Service attributes the unit transportation cost increase to highway and domestic air cost increases.[101]

[99] February 6 Response to CHIR No. 7, question 12.e. *See*, *generally*, Order No. 8737.
[100] FY 2024 Financial Report at 79.
[101] January 23 Response to CHIR No. 2, question 27.

Table III-18
Outside County Periodicals Unit Attributable Cost by Cost Segment
FY 2024 – FY 2025

	Cost Segment			
Cents per Piece:	**Mail Processing**	**City Carriers**	**Rural Carriers**	**Transportation**
FY 2024	23.1¢	14.0¢	6.5¢	5.8¢
FY 2025	22.8	13.9	8.2	7.5
% Change	(1.3%)	(0.2%)	25.7%	28.7%

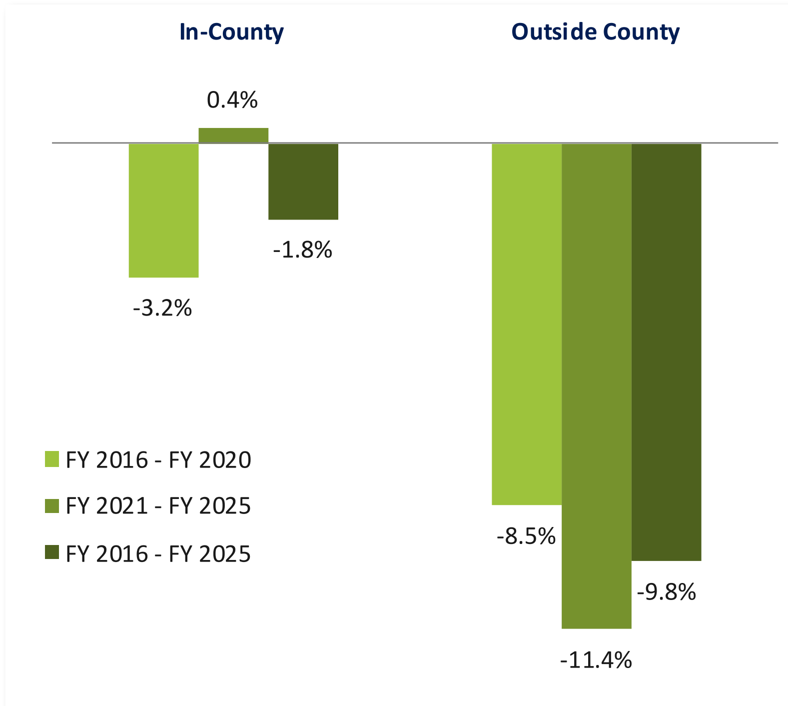
Source: PRC derived from Postal Service CSC Report, FY 2024–FY 2025.

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 3.2 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 0.4 percent per year. For Outside County Periodicals, volume decline accelerated from about 8.5 percent per year between FY 2016 and FY 2020, to about 11.4 percent between FY 2021 and FY 2025. The total volume of the Periodicals mail class decreased by 56.3 percent, or about 9.8 percent annually, over the last decade. The Postal Service describes "increased substitution from the Internet, mobile devices, and e-readers" as reasons for accelerating volume declines of Periodicals.[102]

[102] USPS-FY25-45 Rule 3050.50 Paragraph (b) Narratives at 12.

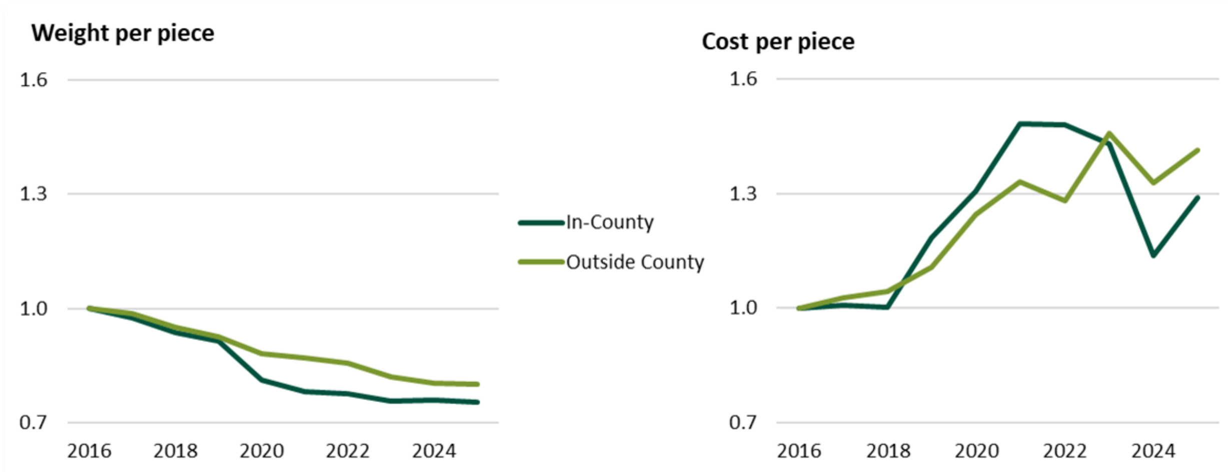
Figure III-26
Compound Average Annual Change in Periodicals Volume (Percent)
FY 2016 – FY 2025



Source: Postal Service's Product Finances, FY 16 - FY 25.

Figure III-27 shows that the weight of an average mailpiece, for both In-County and Outside County Periodicals, has declined steadily over the course of the last ten years. In FY 2025, an average In-County piece was about 25 percent lighter, and an average Outside County piece about 20 percent lighter than were average mailpieces for respective products in FY 2016. However, due to the diverse characteristics of pieces in this mail class, with respect to mailpiece size, weight, content, and distribution patterns, changes in Periodicals products' unit attributable cost in the last decade are not explained solely by changes in average weight per piece, and data on other characteristics of Periodicals mailpieces do not exist. Since FY 2022, unit cost changes for both Periodicals products have been quite erratic.

Figure III-27
Trends in Average Weight per Piece and Unit Attributable Cost for Periodicals
FY 2016 – FY 2025, Indexed to FY 2016



Source: Docket No. ACR2016, Library Reference USPS-FY16-1, December 29, 2016; Docket No. ACR2017, Library Reference USPS-FY17-1, December 29, 2017; Docket No. ACR2018, Library Reference USPS-FY18-1, December 28, 2018; Docket No. ACR2019, Library Reference USPS-FY19-1, December 27, 2019; Docket No. ACR2020, Library Reference USPS-FY20-1, December 29, 2020; Docket No. ACR2021, Library Reference USPS-FY21-1, December 29, 2021; Docket No. ACR2022, Library Reference USPS-FY22-1, December 29, 2022; Docket No. ACR2023, Library Reference USPS-FY23-1, December 29, 2023; Docket No. ACR2024, Library Reference USPS-FY24-1, December 30, 2024; Library Reference USPS-FY25-1, December 29, 2025.

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.[103]

Table III-19 summarizes changes in volume and revenue between FY 2024 and FY 2025 for the four Package Services products and for the mail class as a whole. Overall, Package Services volume decreased 6.1 percent in FY 2025. Of the four products, volume increased for BPM Parcels only, and it decreased for the remaining three products, with Media Mail/Library Mail experiencing the largest (16.1 percent) decline in volume.

The 6.1 percent decline in volume for the mail class was accompanied by an increase in revenue of 2.1 percent. As shown in Table III-III-19, each product's revenue change was

[103] On December 20, 2024, the Postal Service requested to remove BPM Flats and BPM Parcels from the Market Dominant Product list. On June 25, 2025, the Commission denied the request. *See* Docket Nos. MC2025-948 and MC2025-948, Order Denying Request to Remove Bound Printed Matter From the Market Dominant Product List and Approving Changes in Weight Limits for USPS Marketing Mail, June 25, 2025 (Order No. 8937).

more favorable for the Postal Service than was the change in volume, with revenue declining less than volume.[104]

Table III-19
Package Services Volume and Revenue, FY 2024 – FY 2025

	Alaska Bypass Service	BPM Flats	BPM Parcels	Media Mail/ Library Mail	Total Package Services
Volume: (Millions)					
FY 2024	1	119	224	82	**426**
FY 2025	1	104	226	69	**400**
Change	0	(15)	2	(13)	**(26)**
% Change	(8.4%)	(12.4%)	1.0%	(16.1%)	**(6.1%)**
Revenue: ($ Millions)					
FY 2024	$ 38	$ 110	$ 328	$ 430	**$ 906**
FY 2025	37	105	384	399	**$ 925**
$ Change	(1)	(5)	56	(31)	**$ 19**
% Change	(2.9%)	(4.3%)	17.0%	(7.3%)	**2.1%**

Source: Postal Service's Product Finances, FY 24 - FY 25.

Table III-20 presents the attributable costs of Package Services products and the mail class. Total attributable cost decreased by $29 million, or 3.7 percent. For BPM Flats, BPM Parcels, and Media/Library Mail, attributable cost changes were in the same direction as changes in volume. However, for Alaska Bypass, the 8.4 percent decline in volume was accompanied by a 23.0 percent increase in attributable cost. On a per piece basis, unit cost declined for only one product – Media Mail/Library Mail.

[104] Specifically, the 8.4 percent decline in volume for Alaska Bypass was accompanied by only a 2.9 percent decline in revenue; 12.4 percent decline in BPM Flats volume by only a 4.3 percent decline in revenue; 16.1 percent decline in Media Mail/Library Mail volume by a 7.3 percent decline in revenue; and 1.0 percent increase in BPM Parcels volume by a 17.0 percent increase in revenue for the product.

Table III-20
Package Services Attributable Cost and Average Unit Attributable Cost, FY 2024 – FY 2025

	Alaska Bypass Service	BPM Flats	BPM Parcels	Media Mail/ Library Mail	Total Package Services
Attributable Cost: ($ Millions)					
FY 2024	$ 38	$ 86	$ 325	$ 332	**$ 782**
FY 2025	47	79	363	264	**$ 753**
$ Change	9	(7)	38	(68)	**($29)**
% Change	23.0%	(8.7%)	11.6%	(20.5%)	**(3.7%)**
Unit Attributable Cost: (Cents per Piece)					
FY 2024	3,322¢	72¢	145¢	403¢	**184¢**
FY 2025	4,459	75	161	382	**188¢**
¢ Change	1,137	3	15	(21)	**5¢**
% Change	34.2%	4.2%	10.5%	(5.2%)	**2.5%**

Source: Postal Service’s Product Finances, FY 24 - FY 25.

The Postal Service states that unit cost increase for BPM Flats was primarily driven by a 95.4 percent increase in purchased transportation unit cost,[105] which was in turn driven by an increase in highway cost.[106] As for Alaska Bypass Service, the Postal Service explains that attributable cost for the product are calculated by multiplying its accrued costs by the Alaska Adjustment

[105] USPS-FY25-45 Rule 3050.50 Paragraph (b) Narratives at 3.
[106] January 23 Response to CHIR No. 2, question 27.

Factor (AAF),[107] which has increased between FY 2024 and FY 2025 due to the cost per inter-SCF pound increasing at a faster rate than the cost per Alaska Bypass pound (30.7 percent vs 6.7 percent).[108]

Table III-21 shows the FY 2025 change in unit attributable cost for major cost segments.

Table III-21
Package Services Unit Attributable Cost by Cost Segment, FY 2024 – FY 2025

	Cost Segment					
	Mail Processing	City Carriers	Window Service	Rural Carriers	Transportation	Vehicle Service Drivers
BPM Flats: (Cents per Piece)						
FY 2024	37¢	18¢	0.2¢	6¢	8¢	2¢
FY 2025	36	13	0.1	7	16	3
% Change	(1.3%)	(29.3%)	(36.7%)	19.9%	95.4%	11.8%
BPM Parcels: (Cents per Piece)						
FY 2024	46¢	46¢	0.5¢	36¢	11¢	3.0¢
FY 2025	58	48	0.4	39	10	3.2
% Change	26.4%	4.2%	(18.4%)	7.4%	(12.6%)	7.5%
Media/Library Mail: (Cents per Piece)						
FY 2024	135¢	53¢	24¢	34¢	133¢	14¢
FY 2025	136	59	28	39	94	15
% Change	0.9%	11.8%	17.0%	15.5%	(29.5%)	5.6%

Source: PRC derived from Postal Service CSC Report, FY 2024–FY 2025.

[107] AAF is the ratio of the inter-SCF cost per pound to Alaska Bypass cost per pound.
[108] USPS-FY25-45 Rule 3050.55 Paragraph (b) Narratives at 3.

Market Dominant Special Services

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 below.

SPECIAL SERVICES PRODUCTS

- **Ancillary Services**
  - Address Correction Service
  - Applications and Mailing Permits
  - Business Reply Mail
  - Bulk Parcel Return Service
  - Certified Mail
  - Certificate of Mailing
  - Collect on Delivery
  - USPS Tracking
  - Insurance
  - Parcel Airlift (PAL)
  - Registered Mail
  - Return Receipt
  - Shipper-Paid Forwarding/Return
  - Signature Confirmation
  - Stamped Envelopes
  - Stamped Cards
  - Premium Stamped Stationary
  - Premium Stamped Cards
- **International Ancillary Services**
  - International Certificate of Mailing
  - International Registered Mail
  - International Return Receipt
  - Customs Clearance and Delivery Fee
- **Address Management Services**
- **Caller Service**
- **Credit Card Authentication**
- **International Reply Coupon Service**
- **International Business Reply Mail Service**
- **Money Orders**
- **Post Office Box Service**
- **Stamp Fulfillment Services**

Table III-22 shows that the total revenue for Special Services increased by $24 million, or 1.2 percent, since FY 2024, which is markedly less than the $120 million (or 6.4 percent) increase between FY 2023 and FY 2024.[109] Revenue decreased for many Special Services products, including Money Orders, Post Office Box Service, Credit Card Authentication, Stamp Fulfillment Services, and International Business Reply Mail Service.

[109] FY 2024 Financial Report at 85.

Table III-22
Market Dominant Special Services Revenue, FY 2024 – FY 2025

	Revenue ($ Millions)			
Product	**FY 2024**	**FY 2025**	**$ Change**	**% Change**
Ancillary Services:				
Certified Mail	$ 709	$ 788	$ 79	11.2%
COD	5	5	0	0.9%
Insurance	56	52	(4)	(7.8%)
Registered Mail	20	18	(1)	(7.1%)
Stamped Envelopes & Cards	14	14	1	5.6%
Other Ancillary Services	433	384	(50)	(11.4%)
Money Orders	235	221	(15)	(6.2%)
Post Office Box	336	332	(3)	(1.0%)
Other Special Services products	187	204	17	9.1%
Total Special Services	**$ 1,995**	**$ 2,019**	**$ 24**	**1.2%**

Source: Postal Service's Product Finances, FY 24 - FY 25.

Table III-23 shows that attributable cost for Special Services decreased by $38 million, or 4.4 percent, in FY 2025. Of the products listed above, Credit Card Authentication product's revenue decrease was accompanied by an increase in attributable cost, and Stamp Fulfillment Services' decline in attributable cost was less than the decrease in the product's revenue. However, cost coverage for both products is well above 100 percent.

Table III-23
Market Dominant Special Services Attributable Cost, FY 2024 – FY 2025

	Attributable Cost ($ Millions)			
Product	**FY 2024**	**FY 2025**	**$ Change**	**% Change**
Ancillary Services:				
Certified Mail	$ 285	$ 386	$ 101	35.3%
COD	3	2	(1)	(48.4%)
Insurance	17	15	(2)	(11.0%)
Registered Mail	14	9	(5)	(36.2%)
Stamped Envelopes & Cards	11	6	(5)	(48.5%)
Other Ancillary Services	175	109	(65)	(37.4%)
Money Orders	166	133	(33)	(19.9%)
Post Office Box	144	118	(26)	(17.9%)
Other Special Services products	37	39	2	4.7%
Total Special Services	**$ 865**	**$ 826**	**($38)**	**(4.4%)**

Source: Postal Service's Product Finances, FY 24 - FY 25.

Competitive Volume, Revenue, and Cost Trends by Product

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

Competitive Products

Subject To Prices Of General Applicability	Subject To Contracted Prices
Domestic:	**Domestic:**
Priority Mail Express Priority Mail Parcel Select Parcel Return Service USPS Ground Advantage	Domestic NSAs
International:	**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 Outbound Single-Piece First-Class Package International Service Inbound Letter Post Small Packets and Bulky Letters	Outbound International NSAs Inbound International NSAs

INTERNATIONAL

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

DOMESTIC

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

*IMTS—Inbound was available in FY 2025 but was removed from the MCS effective 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); *see also* United States Postal Service Response to Order No. 7352, September 30, 2024

In FY 2025, the Postal Service maintained 4,289 domestic and 283 international competitive NSAs.[110]

The Postal Service additionally 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 to the left.

Changes Since Last Year

Table III-24 summarizes changes in volume, revenue, and attributable cost between FY 2024 and FY 2025 for five groups of Competitive products.

[110] FY 2025 ACD at 53, 59.

Table III-24
Competitive Products Volume, Revenue, and Attributable Cost
FY 2024 – FY 2025

	Priority Mail Express	Priority Mail	Ground Parcels*	International	Domestic Services	Total Competitive
Mail Volume: (Millions)						
FY 2024	21	698	6,088	135	-	**6,942**
FY 2025	19	518	5,869	117	-	**6,523**
% Change	(8.7%)	(25.9%)	(3.6%)	(13.3%)	-	**(6.0%)**
Mail Revenue: ($ Millions)						
FY 2024	$ 642	$ 7,106	$ 23,549	$ 1,217	$ 1,324	**$ 33,838**
FY 2025	609	5,691	25,201	1,057	1,298	**$ 33,855**
% Change	(5.1%)	(19.9%)	7.0%	(13.2%)	(2.0%)	**0.1%**
Attributable Cost: ($ Millions)						
FY 2024	$ 290.90	$ 5,762	$ 15,745	$ 886	$ 349	**$ 23,696**
FY 2025	291.00	4,670	16,819	797	313	**$ 23,532**
% Change	0.0%	(19.0%)	6.8%	(10.0%)	(10.3%)	**(0.7%)**

*Ground Parcels category includes Parcel Select, Parcel Return Service, and USPS Ground Advantage products.
Source: Postal Service's Product Finances, FY 24 - FY 25.

FY 2025 data show that the 2.8 percent increase in total Competitive volume from FY 2023 to FY 2024 reversed, with a 6.0 percent decline. Volume declined for every category of Competitive mail, including Ground Parcels.

Competitive product revenue for the five groups of Competitive products generally tracked changes in volume, with the exception of Ground Parcels. For Ground Parcels, the 3.6 percent decrease in volume was accompanied by a 7.0 percent increase in revenue. Total revenue for all Competitive products combined increased by only 0.1 percent.

Total attributable costs for Competitive products decreased by 0.7 percent. For Ground Parcels however, attributable cost increased (by 6.8 percent), despite the decrease in volume.

The increase in total Competitive revenue and the decrease in attributable cost resulted in a $0.2 billion higher contribution of Competitive products to Postal Service's institutional costs, from $10.1 billion in FY 2024 to $10.3 billion in FY 2025.[111]

Changes in the Last Decade

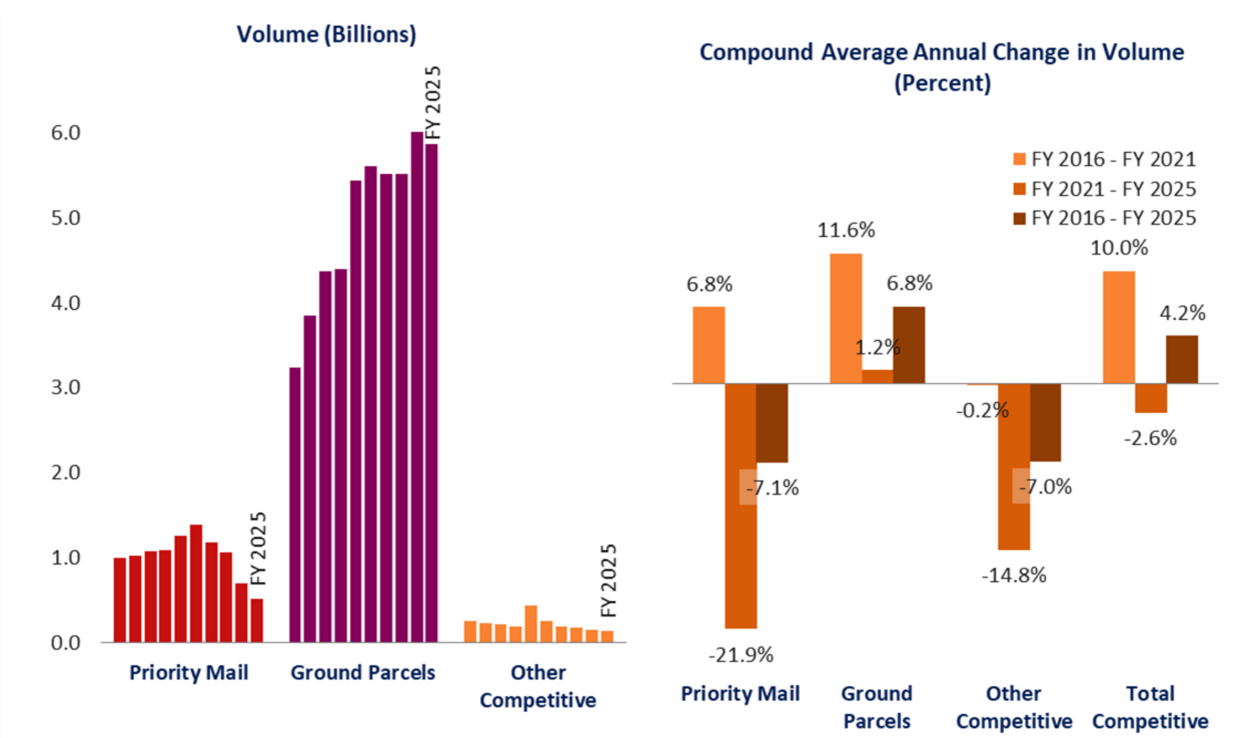
MAIL VOLUME

The first half of the last decade saw healthy Competitive volume increases of about 10 percent per year on average. In the second half, the trend reversed. Total Competitive volume reached its peak in FY 2021. This was also the peak year for Priority Mail and Other Competitive volume. Over the next four years (FY 2022 to FY 2025), Priority Mail volume declined by 63 percent, and Other Competitive volume declined by 47 percent. Since FY 2021, volume has increased only in the Ground Parcels category.

The Postal Service attributes declines in Priority Mail and Priority Mail Express volumes to their "greater price sensitivity" and an "industry-wide trend away from expedited products."[112] However, even Ground Parcels volume growth has slowed down markedly in the last four years, declining by 3.6 percent in FY 2025 from its peak in FY 2024. While the Postal Service appears optimistic about continued volume growth of the USPS Ground Advantage product, which is included in the Ground Parcels category, it also describes competitors' ever expanding delivery capabilities and in-sourcing.[113] These marketplace developments have diverted volumes in the Ground Parcels category away from the Postal Service and resulted in slower volume growth in the last four years.

[111] FY 2025 ACR at 15; FY 2024 ACR at 8.
[112] Postal Service FY 2025 Report on Form 10-K at 23.
[113] *Id*. at 10, 23.

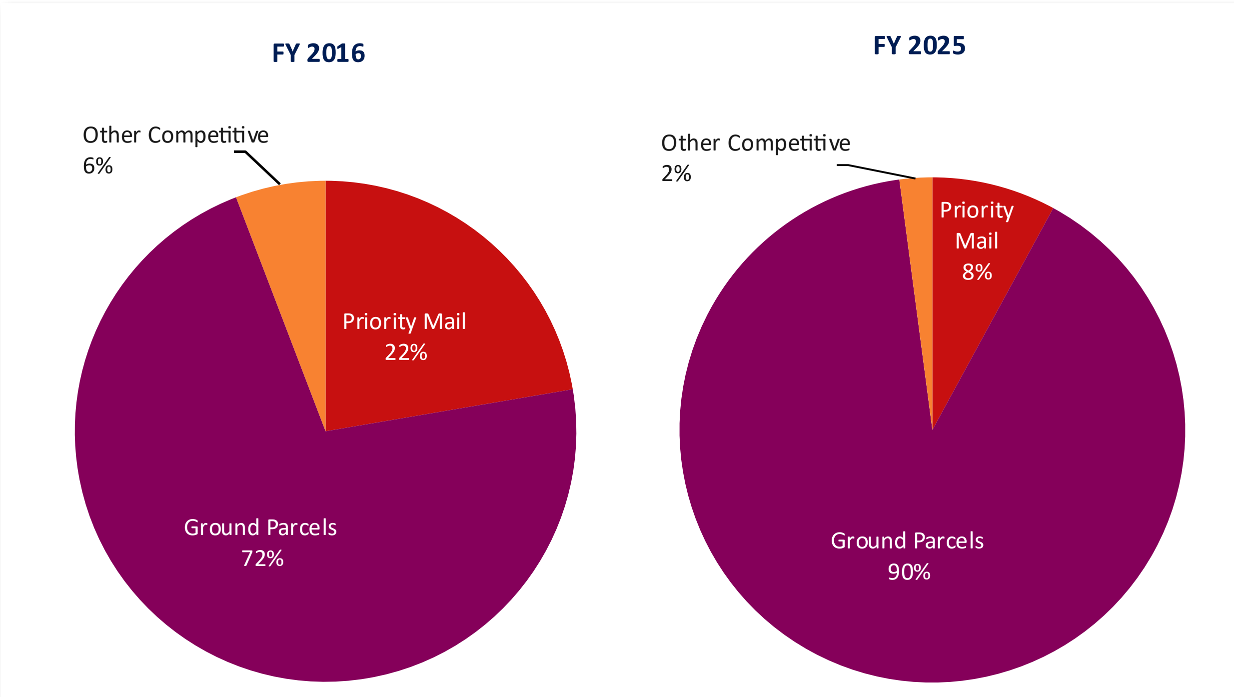
Figure III-28
Competitive Mail Volume by Category, FY 2016 – FY 2025



Source: Postal Service's Product Finances, FY 16 - FY 25.

Competitive volume changes that occurred in the last 10 years have changed the composition of Competitive volume. Most notable is the reduction in the proportion of Priority Mail volume and the increase in the proportion of Ground Parcels, as shown in Figure III-29.

Figure III-29
Competitive Mail Volume Make-Up, FY 2016 and FY 2025



Source: PRC-LR-ACR2016/1; PRC-LR-ACR2025-1.

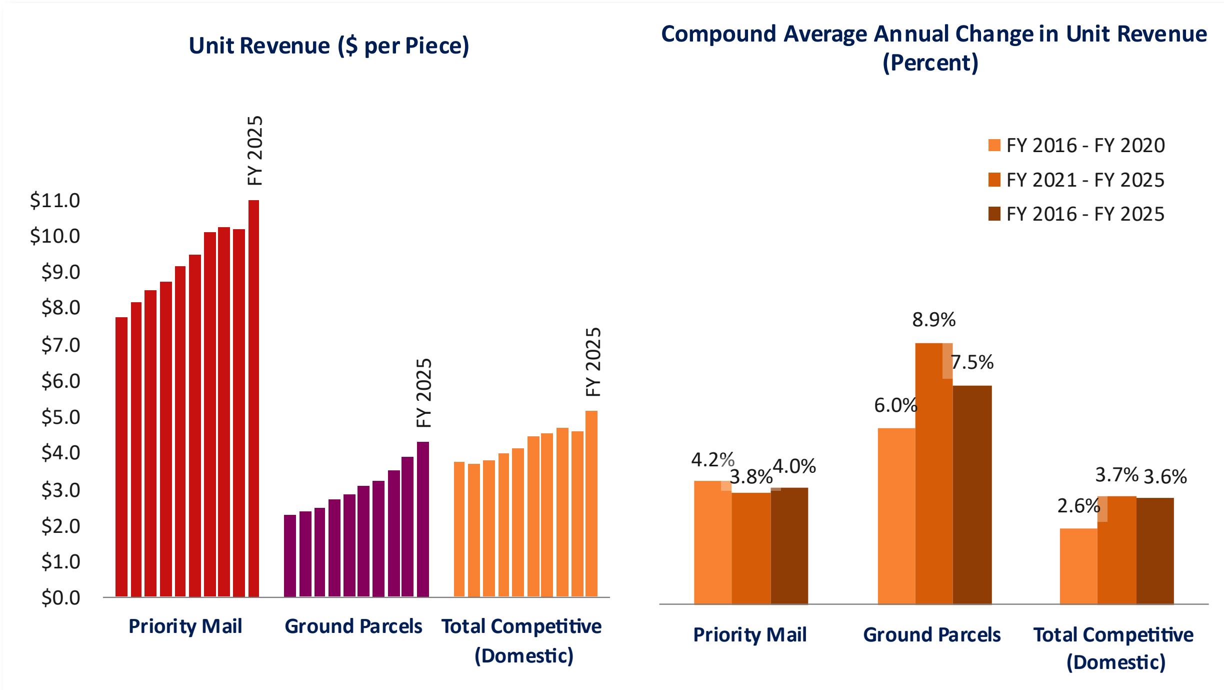
While Priority Mail volume accounted for more than one-fifth (22 percent) of total Competitive volume at the beginning of the last decade, it accounted for less than one-tenth (8 percent) by FY 2025. On the other hand, Ground Parcels accounted for 90 percent of total Competitive volume in FY 2025, up from 72 percent in FY 2016.

REVENUE

For every Competitive category and for all domestic Competitive products combined, unit revenue has increased virtually every year since FY 2016. In the case of Ground Parcels, unit revenue increase has accelerated in the second half of the last decade, while it has slowed for Priority Mail. As noted above, the Postal Service has implemented two price increases for Competitive products in FY 2025 (in January and July), as well as a time-limited price increase during the 2024/2025 peak season, which likely contributed to the notable unit revenue increase shown in Figure III-30.[114]

[114] Postal Service FY 2025 Report on Form 10-K at 21.

Figure III-30
Competitive Mail Unit Revenue by Category, FY 2016 – FY 2025

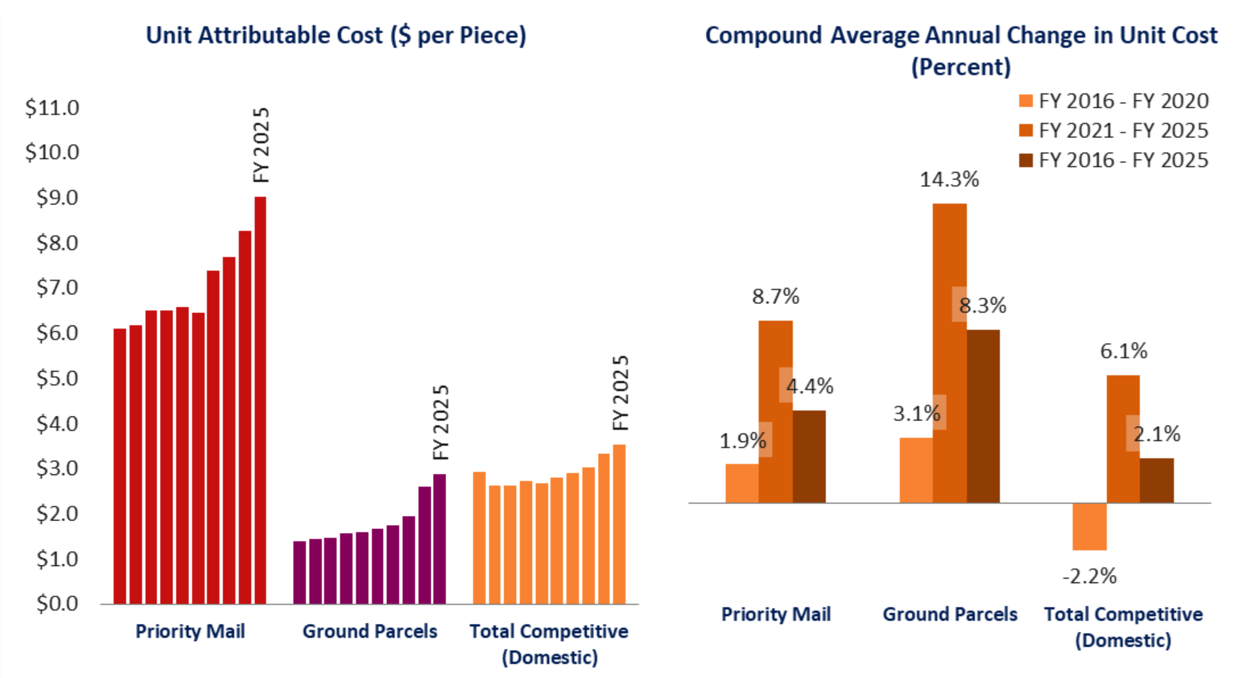


Source: Postal Service's Product Finances, FY 16 - FY 25.

ATTRIBUTABLE COST

Figure III-31 shows the average unit attributable cost for Competitive mail categories in the last decade. The data in the figure show that the average unit attributable cost for domestic Competitive products overall declined by about 2.0 percent per year on average in the first half of the last decade. The trend reversed in the second half of the decade, with an average annual increase of about 6.0 percent.

Figure III-31
Competitive Mail Unit Attributable Cost by Category, FY 2016 – FY 2025



Source: Postal Service's Product Finances, FY 16 - FY 25.

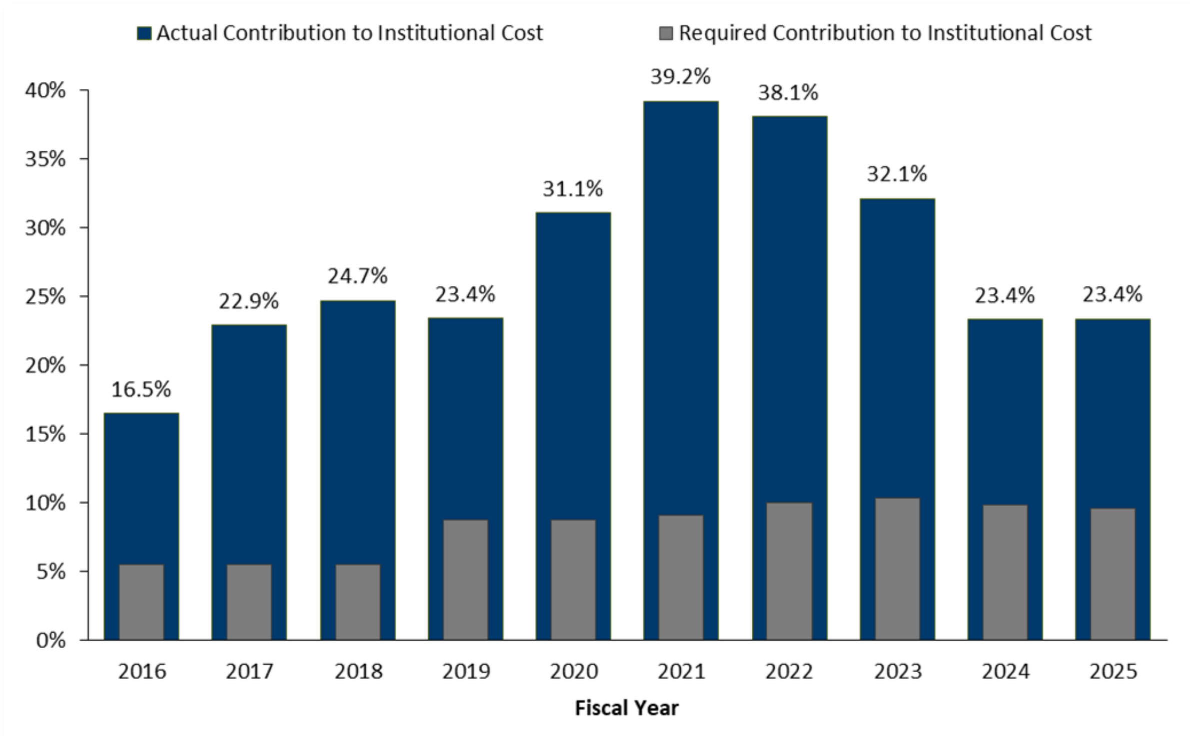
The unit cost increases of the last five years are particularly notable for Priority Mail and Ground Parcels, accelerating from 2 percent to 9 percent for Priority Mail, and from 3 percent to 14 percent for Ground Parcels. Some of those increases can be attributed to changes in methodologies for city and rural carrier costing that were approved in FY 2024.[115] Other factors that the Postal Service typically lists are inflation, the increasing number of delivery points, employee compensation and benefits, and, in recent years, increased investments related to the Delivery for America Plan (through higher depreciation and amortization expenses).[116] However, the faster rate of unit cost increases compared to unit revenue increases is concerning in a market in which cost efficiency is key to remaining competitive and retaining major customers' volumes.

[115] FY 2024 ACR at 8, n. 20. *See* Order No. 7411 at 23; *see also* Order No. 7049 at 33.
[116] *See*, *e.g.*, Postal Service FY 2025 Report on Form 10-K at 25-37.

INSTITUTIONAL COST COVERAGE

The faster rate of unit cost increases compared to unit revenue increases in the second half of the last decade have resulted in declining unit contribution from Competitive products, as shown in Figure III-32.

Figure III-32
Required and Actual Competitive Products
Contribution to Institutional Cost (Percent), FY 2016 – FY 2025



Source: Postal Service's Product Finances, FY 16 - FY 25.

Chapter IV. Cost and Profit Analysis

Introduction

Chapter IV analyzes the Postal Service's costs by major segment and function and examines how these costs influence overall financial performance. The Commission uses a contribution margin income statement to present revenue, attributable costs, institutional costs, and net income (loss) in a format that complements the traditional financial statements discussed in Chapter II and the product-level trends examined in Chapter III.

The analyses presented in this chapter rely on reports filed by the Postal Service, including the Form 10-K, the CRA Report; the CSC Report; and payroll data. *See* Docket No. RM 2024-4, 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 institutional and attributable costs for each cost segment. By separating the costs described in Chapter 2 into these categories, the analysis provides an alternative perspective on the Postal Service's financial condition.

The contribution margin income statement examines the relationship between revenue, attributable costs, institutional costs, and overall net income or loss. The following sections review each component of the contribution margin income statement.

The contribution margin presented here differs from the controllable loss reported in the Postal Service FY 2025 Form 10-K. *See* Postal Service FY 2025 Form 10-K at 20. The Postal Service defines controllable loss as a non-GAAP measure reflecting the excess of revenue over costs from normal business operations, adjusted for costs deemed to 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 overview of the contribution margin income statement, highlighting changes in total revenue, attributable costs and institutional costs. Between FY 2024 to FY 2025, total revenue increased by 1.1 percent while total attributable costs declined by 1.0 percent. However, total institutional costs rose by 1.7 percent, resulting in a net loss.

Table IV-1
Condensed Contribution Margin Income Statement[117]

		FY 2024		FY 2025		$ Change	% Change
Total Revenue	$	**80,505**	$	**81,353**	$	**848**	**1.1%**
Total Attributable Costs		46,640		46,188		(452)	(1.0%)
Contribution Margin		33,865		35,165		1,300	3.8%
Total Institutional Costs		43,385		44,143		758	1.7%
Net Loss	$	**(9,520)**	$	**(8,978)**	$	**542**	**5.7%**
Total All Mail and Services Volume (in Millions)		**112,456**		**108,667**		**(3,789)**	**(3.4%)**

Decrease in expenses is denoted by (). NM denotes not meaningful. Numbers may not add across due to rounding
Source: Docket No. ACR2024, Library Reference USPS-FY24-1, December 30, 2024, REVISED January 3, 2025; Docket No. ACR2025, Library Reference USPS-FY25-1, December 29, 2025, (Collectively Postal Service CRA Report, FY 2024 and FY 2025).

Attributable costs are defined 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[.]" 39 U.S.C. § 3622(c)(2).

In Order No. 3506, the Commission revised the methodology used to determine attributable costs by incorporating inframarginal costs developed to estimate incremental costs. Previously, attributable costs consisted only of the sum of volume-variable costs, which, in the aggregate, increase or decrease with volume, and product-specific fixed costs, which are caused by a specific product or class but do not vary with volume.

The Postal Service initially records costs as accrued costs. These costs are then organized into cost segments corresponding to major divisions within the Postal Service's chart of accounts. Various systems used to track postal activities determine how costs are separated across these segments. Cost drivers reflecting the primary activity associated with each cost component are used to determine the volume variable portion of attributable costs. Most cost segments contain multiple cost components. Attributable costs

[117] 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.

are ultimately distributed to products through distribution keys that reflect the relevant cost driver.[118]

After attributable costs are calculated, the remaining costs are classified as institutional costs. Institutional costs cannot be assigned to specific products or services and are equal to total costs minus total attributable costs. Although sometimes described as “fixed costs,” institutional costs are more accurately characterized as “common costs” because they may include variable costs that cannot be causally linked to an individual product or class. Institutional costs include items such as carrier network travel time, amortization of unfunded retirement-related liabilities apportioned to prior years, and various administrative costs.

In FY 2024 and FY 2025, the Postal Service generated a positive contribution after subtracting attributable costs from revenue. However, institutional costs exceeded the contribution amount in both years, resulting in a net loss. Between FY 2024 and FY 2025, the net loss decreased by 5.7 percent.

During the same period, total volume declined 3.4 percent. All else equal, attributable costs would typically be expected to decline as volume decreases. However, changes in mail mix and variations in input costs can influence the observed relationship between volume and costs.

The Postal Service’s institutional costs are heavily driven by retirement-related obligations and workers’ compensation expenses. These costs are inherently volatile because they depend on actuarial assumptions, health care inflation rates, and changes in discount rates. Unlike more stable overhead categories such as rent, supplies, and transportation, these costs can fluctuate significantly from year to year, largely in response to inflation and actuarial assumption updates.

In FY2024 and 2025, institutional cost pressures increasingly appeared in delivery operations, particularly in city carrier street activities and rural carrier costs. Additionally, a methodological change in FY 2025[119] increased the allocation of building occupancy and depreciation costs to institutional costs, contributing to upward pressure in those components.

[118] 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.

[119] Docket RM2025-6, Order on Analytical Principles Used for Periodic Reports Concerning Updated Facility Rental Analysis. FY 2025, March 14, 2025 at 6 (Order No. 8737).

To better understand the decline in "Other" costs during FY 2025, the Commission examines changes within individual cost segments. The term "other costs," derived from the Cost Segment and Component Report, represents the residual cost remaining after subtracting volume variable and product-specific costs from total accrued costs within a cost segment or component.

Before Order No. 3506, the sum of "other costs" was equal to institutional costs. The category now includes inframarginal and group-specific costs that are attributable. Nonetheless, most "other costs" remain institutional (and most institutional costs are "other costs"), and therefore trends in this category provide insight into the composition and behavior of institutional costs overall.

As shown in Table IV-2, year-over-year changes beginning in FY 2021 demonstrate significant volatility in institutional cost components.

Between FY 2021 through FY 2025, workers' compensation costs were the largest contributor to changes in "Other Costs". In FY 2022, the substantial decline in "Other Costs" reflected the elimination of required annual retiree health benefit payments.[120]

In contrast to the volatility in workers' compensation costs, several cost components have shown more consistent upward pressure in recent years. Depreciation and Other Service-wide costs increased steadily from FY 2022 through FY 2025, including a particularly large increase of $753 million in FY 2025. Building occupancy costs also rose modestly from FY 2022 through FY 2024 before increasing sharply by $725 million in FY 2025. These increases are consistent with the revised allocation methodology described above.

Overall, Table IV-2 shows that although institutional costs increased by $800 million in FY 2025, the growth represents a significant slowdown compared with the prior two fiscal years. The moderation largely reflects a $1.4 billion decline in workers' compensation costs, partially offset by increases in building occupancy and depreciation.

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

Table IV-2
Change in Other Cost by Segment, FY 2021–FY 2025 ($ in Millions)

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
CSRS Supplemental Liability	$ 64	$ 445	$ 743	$ 242	$ (113)
FERS Supplemental Liability	57	226	514	144	(128)
City Carriers Street Activities	395	399	349	1,794	397
Rural Carriers	284	391	272	(673)	127
Depreciation and Other Servicewide Costs	(0)	61	188	246	753
Building Occupancy	(25)	57	69	81	725
Other	548	(1,148)	693	841	438
Subtotal	**$ 1,068**	**$ 3,197**	**$ 2,828**	**$ 2,675**	**$ 2,199**
Workers' Compensation	(3,431)	(1,463)	2,716	3,160	(1,400)
Total Change	**$ (2,107)**	**$ (1,031)**	**$ 5,544**	**$ 5,836**	**$ 800**

Decrease in expenses is denoted by ().
Source: Postal Service CSC Report, FY 2024- FY 2025; Docket No. ACR2023, Library Reference USPS-FY23-2, December 29, 2023; Docket No. ACR2022, Library Reference USPS-FY22-2, December 29, 2022; Docket No. ACR2021, Library Reference USPS-FY21-2, December 29, 2021 (Collectively Postal Service CSC Report, FY 2021–FY 2025).

Table IV-3 further disaggregates volume variable, product-specific costs, and other costs by cost segment to better understand the cost changes contributing to the Postal Service's net loss.

Table IV-3
Contribution Margin Income Statement, FY 2024 and FY 2025 ($ in Millions)

	FY 2024	FY 2025	$ Change	% Change
Total Revenue	**$ 80,505**	**$ 81,353**	**$ 848**	**1.1%**
Volume Variable and Product Specific Costs:				
Postmasters	$ 63	$ 65	$ 3	4.4%
Supervisors and Technicians	2,159	2,250	91	4.2%
Clerks and Mailhandlers	13,192	13,457	265	2.0%
City Delivery Carriers – Office Activity	3,326	3,319	(7)	(0.2%)
City Delivery Carriers – Street Activity	3,781	3,699	(83)	(2.2%)
Vehicle Service Drivers	700	778	78	11.2%
Rural Carriers	4,570	4,759	189	4.1%
Custodial and Maintenance Services	2,223	2,293	70	3.2%
Motor Vehicle Service	706	705	(1)	(0.2%)
Miscellaneous Local Operations	275	270	(5)	(1.9%)
Purchased Transportation	6,976	6,566	(410)	(5.9%)
Building Occupancy	1,761	1,160	(601)	(34.1%)
Supplies and Services	1,611	1,660	50	3.1%
Research and Development	0	0	0	NM
Servicewide Personnel Benefits and HQ/Area Operations	831	1,145	315	37.9%
General Management Systems	0	0	0	(48.7%)
Other Accrued Expenses (Servicewide)	1,796	1,348	(448)	(24.9%)
Total Volume Variable and Product Specific Costs	**$ 43,969**	**$ 43,475**	**$ (494)**	**(1.1%)**
Contribution Margin	**$36,536**	**$37,877**	**$1,342**	**3.7%**
Other Costs:				
Postmasters	$ 1,985	$ 2,075	$ 90	4.5%
Supervisors and Technicians	1,795	1,896	100	5.6%
Clerks and Mailhandlers	3,058	3,141	83	2.7%
City Delivery Carriers – Office Activity	474	498	24	5.0%
City Delivery Carriers – Street Activity	11,371	11,769	397	3.5%
Vehicle Service Drivers	458	509	51	11.2%
Rural Carriers	5,913	6,040	127	2.1%
Custodial and Maintenance Services	1,351	1,438	87	6.4%
Motor Vehicle Service	1,422	1,435	14	0.9%
Miscellaneous Local Operations	445	401	(44)	(10.0%)
Purchased Transportation	1,839	1,827	(12)	(0.6%)
Building Occupancy	795	1,520	725	91.2%
Supplies and Services	2,455	2,211	(243)	(9.9%)
Research and Development	5	2	(3)	(64.6%)
Servicewide Personnel Benefits and HQ/Area Operations	11,588	10,237	(1351)	(11.7%)
General Management Systems	17	18	1	8.6%
Other Accrued Expenses (Servicewide)	1,084	1,837	753	69.4%
Total Other Costs	**$ 46,056**	**$ 46,856**	**$ 800**	**1.7%**
Total Costs	**$ 90,025**	**$ 90,331**	**$ 306**	**0.3%**
Net Loss	**$ (9,520)**	**$ (8,978)**	**$ 542**	**(5.7%)**
Total All Mail and Services Volume (in Millions)	**112,456**	**108,998**	**(3,458)**	**(3.1%)**

Decrease in expenses is denoted by (). Numbers may not add across due to rounding.
NM denotes not meaningful.
Source: Postal Service CSC Report, FY 2024-FY 2025.

As shown in Table IV-3, there were notable changes in several cost segments relative to the prior year. The largest absolute variations occurred in Service-wide Personnel Benefits and HQ/Area Operations, Purchased Transportation and Clerks and Mailhandlers. Further examination of these segments provides additional context to their effect 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 associated with Headquarters, Field Service Units, the Security Force, and Area Offices, as well as corporate-wide personnel expenses that are not categorized by specific employee type.

Component 486 (Workers' Compensation) in this segment declined by more than the overall reduction in this segment. A 0.4 percent[121] increase in interest rates used in calculating compensation claims liabilities and medical claims liabilities resulted in a $1.1 billion reduction in this component.

Workers' compensation costs include current-year costs, prior-year costs, costs related to the former Post Office Department, and costs associated with former postal employees receiving workers' compensation benefits. Prior year workers' compensation costs are driven primarily by changes in discount rates and actuarial reassessments of past injury claims.[122] Because these costs relate to prior years rather than costs incurred during current mail operations, they are treated as institutional costs.

Purchased Transportation includes contracted transportation services provided by air, highway, rail, and water carriers.[123] Highway transportation costs are assessed through econometric models covering six subcategories: intra-SCF, inter-SCF, intra-NDC, inter-NDC, peak, and highway plant load.[124] Total cost variability reflects the interaction between cost-to-capacity and capacity-to-volume variabilities.[125,126] This cost segment includes Domestic Air, Highway, Railroad, Domestic Water, and International transportation components. The largest cost reductions occurred in Domestic Air transportation, which declined substantially. These reductions offset increases in Highway transportation costs, which rose approximately 9 percent, partly reflecting network optimization efforts and lower fuel prices.[127]

The Clerks and Mailhandlers cost segment includes compensation and benefits for employees performing mail processing, window service, administrative and support activities at postal facilities.

[121] Postal Service FY 2025 Form 10-K at 69.

[122] United States Postal Service, Summary Description of USPS Development of Costs by Segments and Components, Fiscal Year 2024, July 1, 2025; Zip File "Summary Description Costs FY2024", File "CS18-25.docx,"at 18-17. (Postal Service FY 2024 Summary Description).

[123] Postal Service FY 2024 Summary Description, file "CS14-25.docx," at 14-1.

[124] Postal Service FY 2024 Summary Description, file "CS14-25.docx," at 14-5.

[125] Some highway variabilities were updated in Docket No. RM2021-1, Proposal Seven, Order 5999, October 6, 2021.

[126] While the Peak Highway cost pool was introduced in Docket No. RM2022-13, Order 6322, November 3, 2022, the variability was introduced in Docket No. RM2021-1, Proposal Seven, Order 5999, October 6, 2021.

[127] FY 2025 Form 10-K at 36.

Clerk activities occur across all component groups within this segment, while mailhandler work is concentrated in mail processing activities such as loading, unloading, and moving mail. The majority of costs are associated with Component 0035 (Mail Processing), Component 0040 (Window Service), and Component 00476 (Administrative Clerks).

Total costs in this segment increased 2.1 percent compared with the prior year. Salaries for full time employees accounted for 34 percent of the increase, with full time clerk salaries representing 44 percent and mailhandler salaries representing 56 percent of that increase.

In contrast, salaries for part time and casual employees declined 39 percent. Part time and casual clerks accounted for 64 percent of the decrease, while part time and casual mailhandlers accounted for 36 percent.

The increase in straight time salaries for full time clerks and mailhandlers was fully offset by the reduction in part time and casual clerks and mailhandlers salaries. However, overtime compensation accounted for 105 percent of the total variance from the prior year. Overtime pay for clerks represented 48 percent of this variance, while overtime pay for mailhandlers accounted for 52 percent.

The largest increase within this segment occurred in total accrued cost for Mail Processing, which rose 2.6 percent in FY 2025. This increase follows a modest 0.2 percent increase in FY 2024 and a 2.2 percent decrease in FY 2023. Costs in this component are largely volume variable, with only small portions classified as non-volume variable.

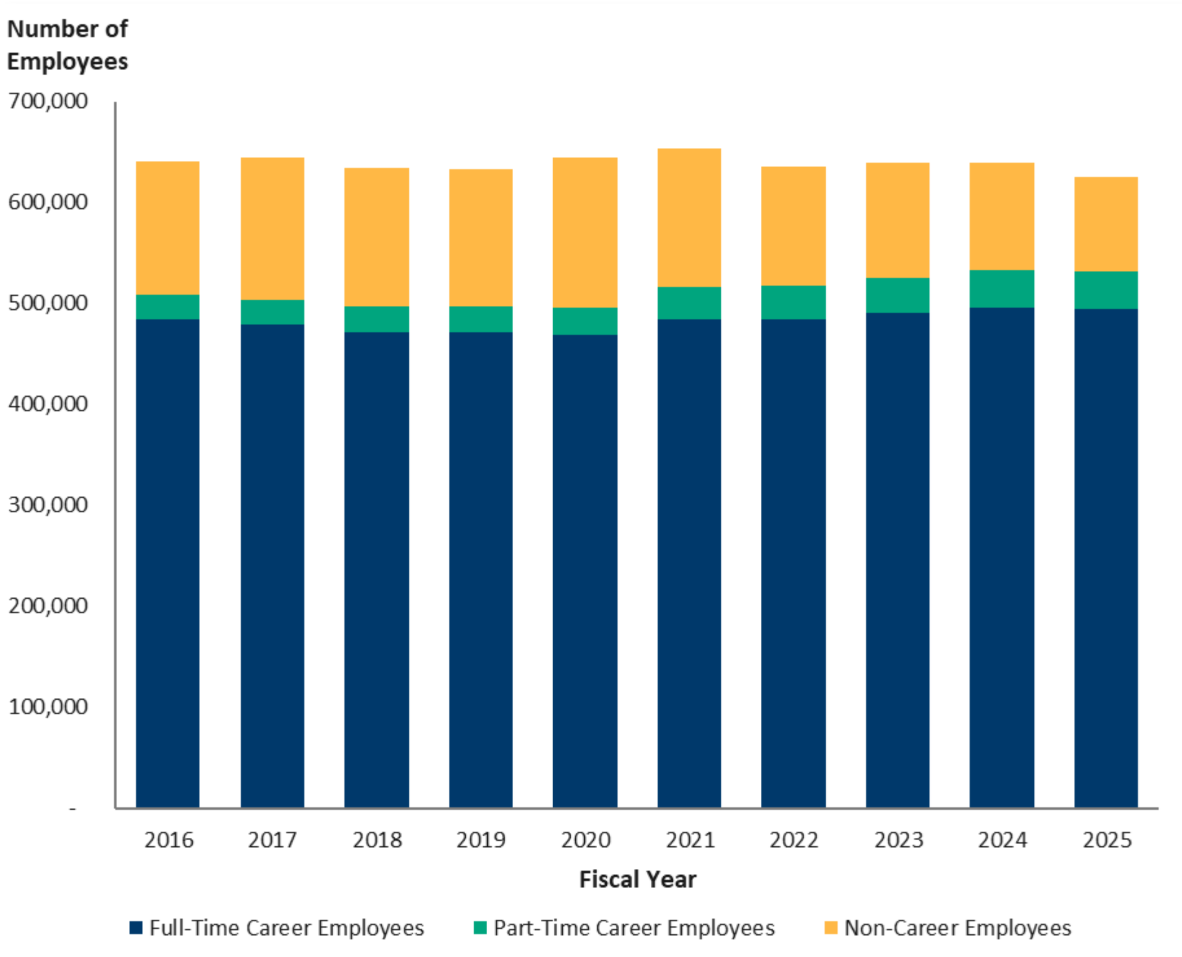
Overtime pay increased substantially in FY 2025. Overtime compensation for full-time mailhandlers and mailhandler assistants increased by approximately $192 million, while overtime pay for clerks increased by $177 million.

Of note, vehicle service driver costs increased by roughly 10 percent for the third consecutive fiscal year. Salaries for full-time, part-time, and casual employees accounted for nearly 60 percent of the year over year increase in costs within this segment, while benefits represented 19 percent of the total increase. Overtime costs, including penalty overtime and premium pay, comprised an additional 13 percent of the increase compared with the prior year.

Analysis of Employee Labor Cost

Employee labor costs, including compensation and benefits, account for 69.7 percent of the Postal Service’s total expenses. The workforce is divided into three primary categories: full-time career employees, part-time career employees, and non-career employees. Full-time and part-time career employees generally receive full federal benefits, whereas non-career employees serve in temporary roles and do not receive full federal benefits. Over the past decade (FY 2016–FY 2025), the Postal Service increased its career workforce by approximately 23,000 full-time and part-time employees while reducing non-career positions by approximately 37,000. *See* Figure IV-2.

Figure IV-2
Breakdown of Workforce, FY 2016–FY 2025

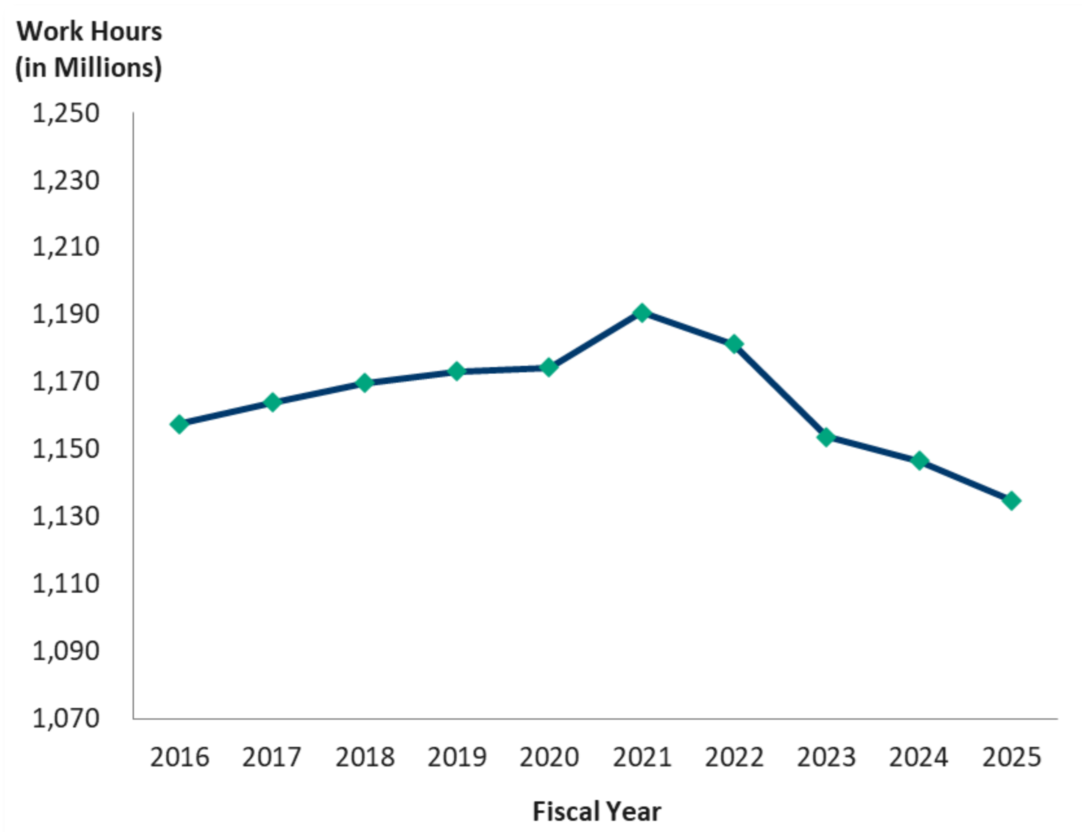


Source: Postal Service ORPES Report PP 20, FY 2021-FY 2025; United States Postal Service, On-Roll and Paid Employee Statistics, Pay Period 20, 2020, September 29, 2020; United States Postal Service, On-Roll and Paid Employee Statistics, Pay Period 20, 2019, October 15, 2019; United States Postal Service, 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).

After 15 years of declining workhours, the trend reversed in FY 2015, initiating a period of annual increases through FY 2021. Workhours grew by 1.9 percent in FY 2015 and 2.6 percent in FY 2016, followed by more moderate increases of 0.5 percent or less each year until FY 2021, when workhours rose by 1.4 percent, the highest annual rate in the previous five years. This upward trend reversed again in subsequent years, with workhours declining by 0.8 percent in FY 2022, 2.3 percent in FY 2023, 0.6 percent in FY 2024 and 1.0 percent in FY 2025.

Figure IV-3 illustrates annual workhours over the past 10 years.

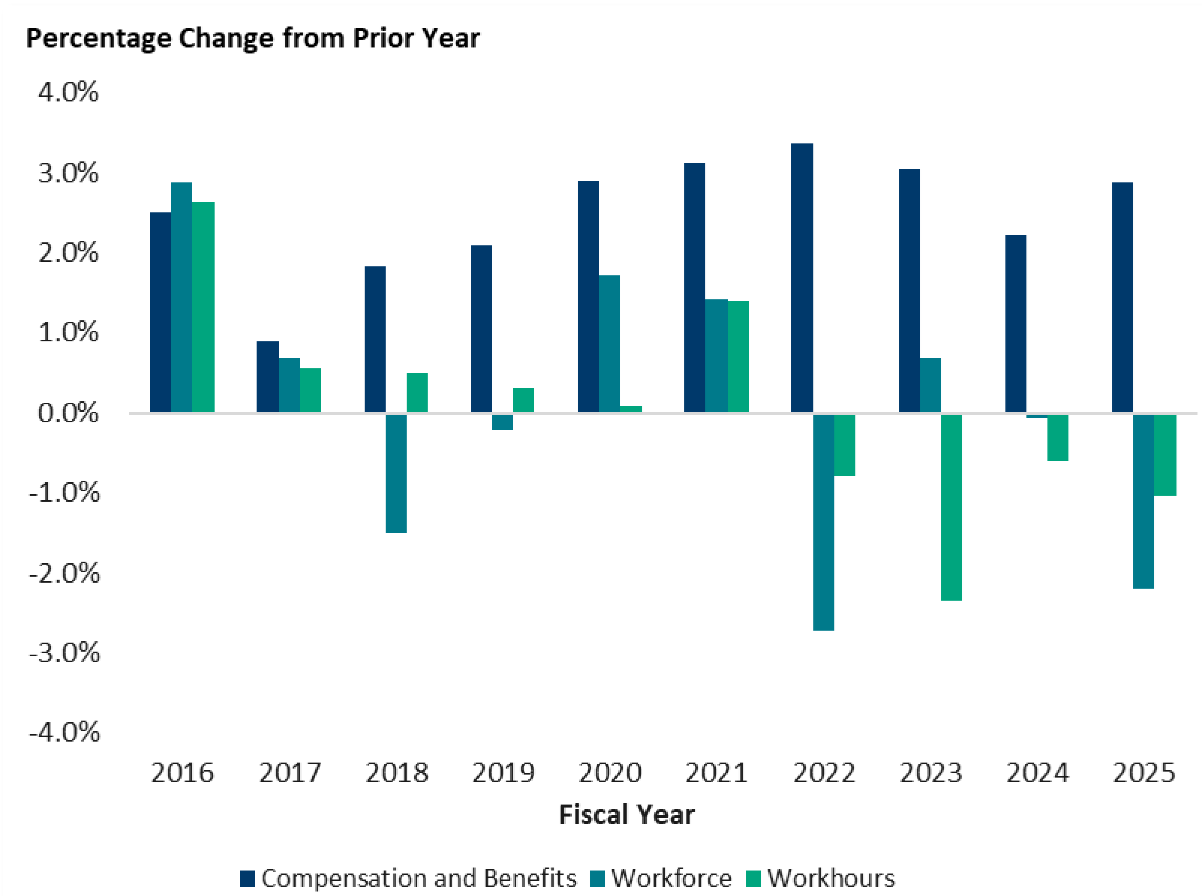
Figure IV-3
Total Workhours (Millions), FY 2016–FY 2025



Source: Docket No. ACR2025, Library Reference USPS-FY25-17, December 29, 2025, Zip Folder "FY25.17.Annual Report.zip," File folder "TFP Materials," Excel file "Table Annual 2025 ACR (Public).xls" Postal Service FY 2025 TFP, tab "Lab-13b."

As shown in Figure IV-4,

Figure IV-4
Percent Change from Prior Year in Compensation and Benefits, Workforce and Workhours, FY 2016–FY 2025



Source: Postal Service FY 2025 Form 10-K at 26 and 28; 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 34, 31; Postal Service FY 2019 Form 10-K at 25; Postal Service FY 2016 Form 10-K at 20; Source: Docket No. ACR2025, Library Reference USPS-FY25-17, December 29, 2025, Zip Folder “FY25.17.Annual Report.zip,” File folder “TFP Materials,” Excel file “Table Annual 2025 ACR (Public).xls” Postal Service FY 2025 TFP, tab "Lab-13b.”; Postal Service ORPES Report PP 20, FY 2016-FY 2025.

In FY 2016 and FY 2017, total employees and workhours increased, resulting in higher compensation and benefits costs. Although wage increases were contractually mandated, cost growth was partially offset by replacing higher-paid employees with newly converted career and non-career employees at lower wage rates. FERS normal costs rose by 5.5 percent in FY 2016 and 1.1 percent in FY 2017, reflecting higher employer contribution rates. Average health benefit premiums increased by 3.8 percent and 4.4 percent, respectively.

In FY 2018 and FY 2019, workforce reductions of 1.5 percent and 0.2 percent, respectively, aligned with declining mail volumes. Despite these reductions, workhours increased slightly due to additional delivery points and higher holiday-season volume. Compensation and benefits costs rose by 1.8 percent and 2.1 percent, respectively, driven by contractual wage adjustments and higher workhours. Average health benefit premiums grew by 4.0 percent in FY 2018 and 1.2 percent in FY 2019.

From FY 2020 to FY 2021, compensation and benefits costs increased 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, due to contractual wage increases, higher overtime hours, and training costs for new hires. Retirement expenses increased by 6.0 percent in FY 2020 and 6.7 percent in FY 2021, while health benefits costs rose by 1.3 percent and 1.2 percent, respectively. Higher Postal Service contributions for Social Security, TSP, FERS, and FERS-Further Revised Annuity Employees' normal costs, along with increases in average FEHB premiums, contributed to the overall growth in compensation costs.

The workforce expanded by 1.7 percent in FY 2020 and 1.4 percent in FY 2021, largely reflecting conversions of non-career employees to full-time career status and hiring of additional casual employees to handle higher shipping volume. Although total workhours increased by only 0.1 percent in FY 2020, overtime workhours rose by 13 million, offsetting a 12-million-hour decline 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 declined 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 increase in full-time career positions. Workhours fell by 10 million (0.8 percent), including a 16-million-hour reduction in overtime, that was partially offset by a 6 million-hour increase in straight-time workhours. Inflationary pressures increased compensation costs by 3.4 percent ($1.4 billion), primarily due to contractual wage increases and cost-of-living adjustments (COLAs) implemented in August 2021, February 2022, and August 2022. Contributions for Social Security, TSP matching, and FERS and FERS-FRAE rose by 6.1 percent, reflecting the impact of increased inflation on salaries. Health benefit contributions declined slightly (0.9 percent) compared to the prior year, due to the smaller workforce.

In FY 2023, compensation costs increased by 2.1 percent, driven by contractual wage adjustments and inflation-related COLAs. The workforce grew by 0.7 percent, as career employees increased by 1.6 percent while non-career employees declined by 3.4 percent, reflecting the conversion of 56,000 non-career employees to career status.[128] Workhours decreased by 2.3 percent, largely due to reduced overtime. Health benefit expenses,

[128] Postal Service FY 2023 Form 10-K at 23-24.

including contributions to Federal Employees Health Benefits (FEHB) program and Medicare taxes, rose by 3.1 percent, reflecting the growth in the workforce.[129] Social Security costs increased by 4.8 percent, and FERS normal costs grew by 8.8 percent, consistent with higher compensation levels, increases in the maximum benefit base, and changes in workforce composition.[130]

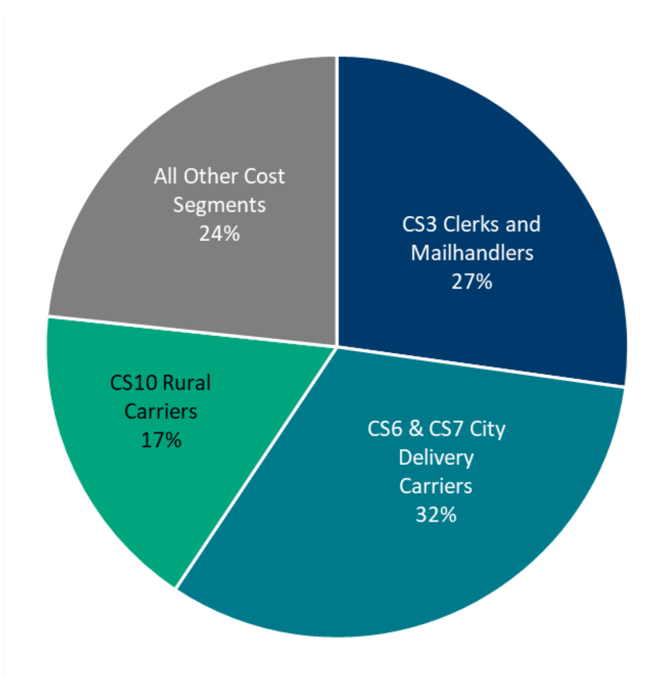
In FY 2024 and FY 2025, compensation costs increased by 2.2 percent and 2.9 percent, respectively, consistent with prior years and primarily driven by wage increases and COLAs. Modest workforce reductions (0.2 percent in FY 2024 and 0.3 percent in FY 2025) and declining workhours helped moderate overall compensation cost growth.[131] Career employees grew by 1.5 percent in FY 2024 but declined slightly (0.3 percent) in FY 2025, while non-career employees fell by 7.6 percent and 11.6 percent, respectively. Total workhours declined by 0.6 percent in FY 2024 and 1.0 percent in FY 2025, mainly due to reduction in overtime in FY 2024 and straight time hours in FY 2025. Health benefit expenses rose by 4.1 percent in FY 2024 and 1.5 percent in FY 2025, reflecting health benefit inflation and changes in workforce composition.[132] Social Security costs increased modestly in FY 2024 (0.2 percent) but rose more significantly in FY 2025 (4.3 percent) due to an increase in the maximum benefit base. FERS normal costs grew by 1.1 percent and 3.4 percent.[133]

This section further examines compensation changes in FY 2025 within the three cost segments with the highest labor costs, comparing salaries (before benefits) to the prior year.

Three cost segments account for nearly 76 percent of total compensation: City Delivery Carriers (in-office and street) (CS6 & 7), Clerks and Mailhandlers (CS3), and Rural Carriers (CS10).

[129] Id at 24.
[130] *Id.* at 25.
[131] Postal Service FY 2025 Form 10-K at 26 and 27; Postal Service FY 2024 Form 10-K at 26 and 27.
[132] Postal Service FY 2025 Form 10-K at 27; Postal Service FY 2024 Form 10-K at 27.
[133] Postal Service FY 2025 Form 10-K at 27 and 28; Postal Service FY 2024 Form 10-K at 28.

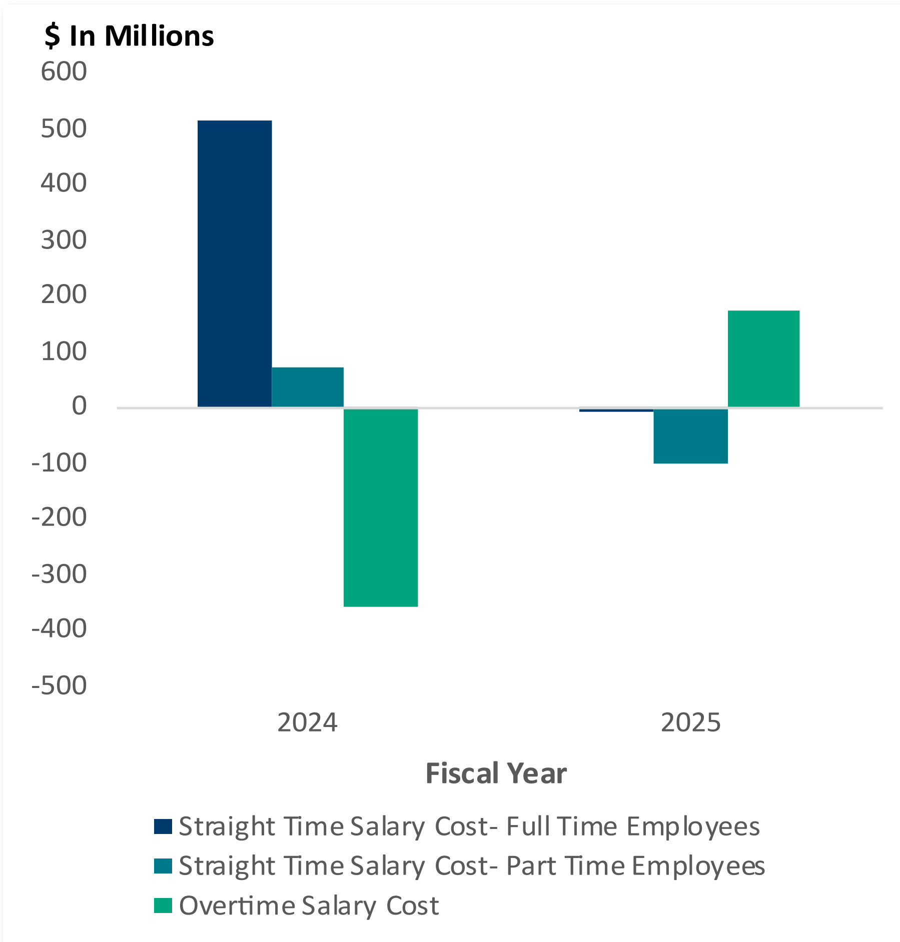
Figure IV-5
Cost Segment Share of Total Compensation Cost, FY 2025



Source: PRC derived from USPS-FY25-7, Excel file "Wkyrcalc.xls," tab "Calculations."

In FY 2025, the total compensation for City Delivery Carriers increased slightly by $67 million. Figure IV-7 shows that overtime compensation costs rose by 7 percent ($176 million), reversing a 12 percent decline in the prior year. Straight-time compensation for full-time employees remained essentially flat, declining by $7 million, while part-time employees straight-time compensation fell by 7 percent ($101 million), offsetting prior-year increases.

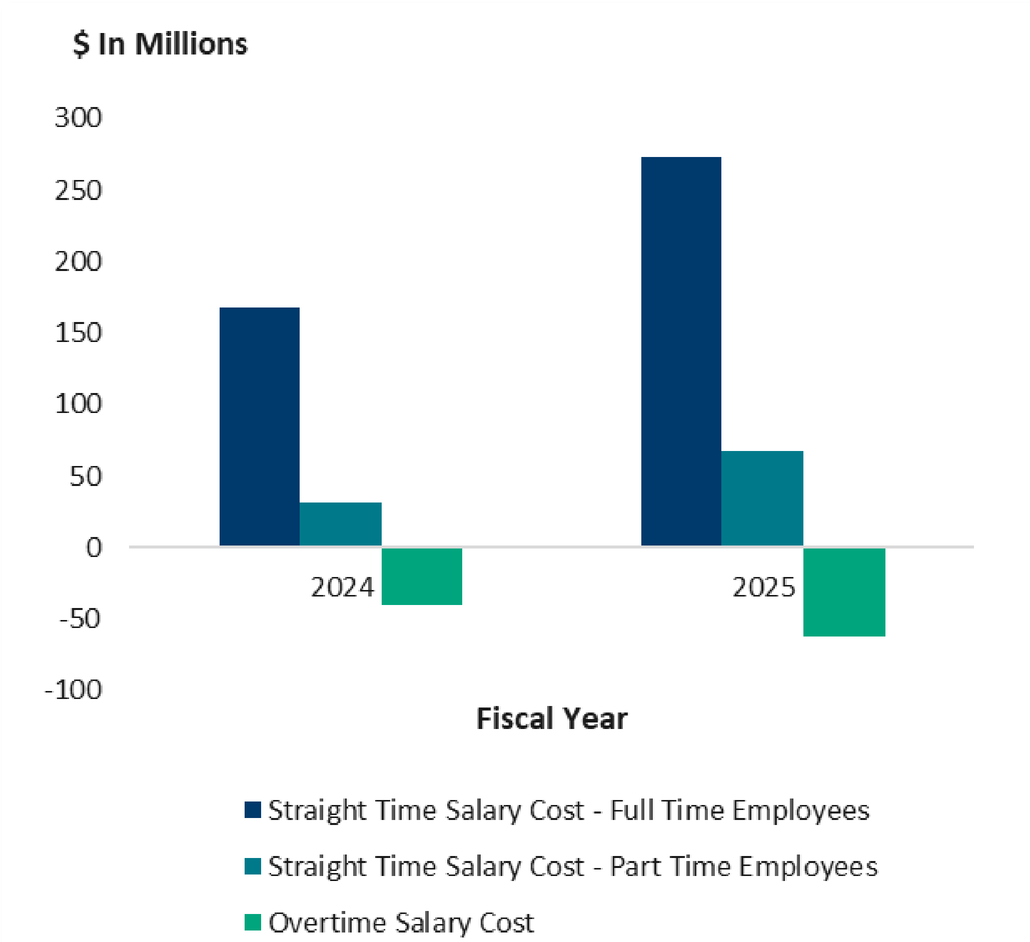
Figure IV-7
Composition of Cost Segments 6 & 7 City Delivery Carriers Change from Prior Year
FY 2024 and FY 2025



Source: PRC derived from USPS-FY25-7, Excel file "Wkyrcalc.xls," tab "Calculations."

Compensation costs for Rural Carriers rose by 4 percent ($278 million) in FY 2025, following a 2 percent increase in FY 2024. Overtime compensation declined in both years, by 9 percent ($62 million) in FY 2025 and 5 percent ($40 million) in FY 2024. Straight-time compensation for full-time employees increased by 5 percent ($273 million) in FY 2025 and 3 percent ($168 million) in FY 2024. Straight-time compensation for part-time employees also rose modestly in both years, rising by 4 percent ($67 million) in FY 2025 and 2 percent ($32 million) in FY 2024.

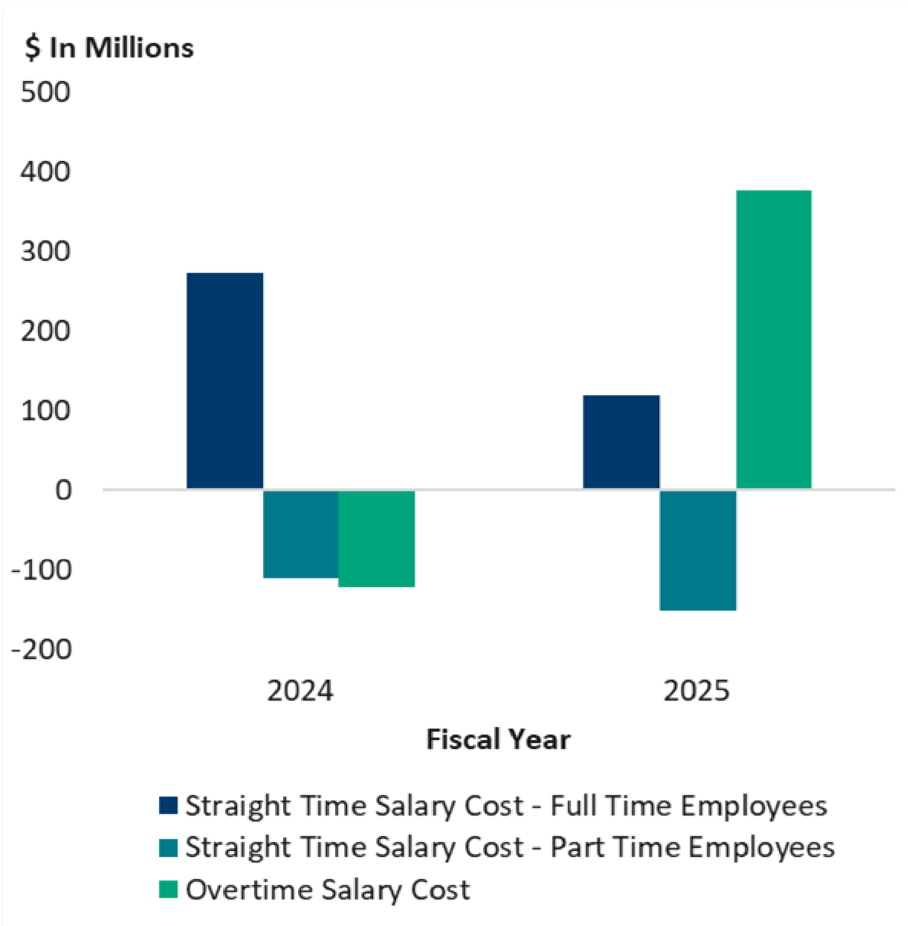
Figure IV-8
Composition of Cost Segment 10 Rural Carriers Change from Prior Year, FY 2024 and FY 2025



Source: PRC derived from USPS-FY25-7, Excel file "Wkyrcalc.xls," tab "Calculations."

Compensation costs for Clerks and Mailhandlers rose 3 percent ($344 million) in FY 2025, following a 0.3 percent ($41 million) rise in FY 2024. Overtime compensation costs surged by 31 percent ($377 million) after declining by 9 percent ($121 million) in the prior year. Straight-time compensation for full-time employees increased in both years—by 1.4 percent ($119 million) in FY 2025 and by 3.3 percent ($273 million) in FY 2024. Meanwhile, straight-time compensation for part-time employees declined each year – by 7 percent ($151 million) in FY 2025 and by 5 percent ($111 million) in the prior year.

Figure IV-9
Composition of Cost Segment 3 Clerks and Mailhandlers Change from Prior Year, FY 2024 and FY 2025



Source: PRC derived from USPS-FY25-7, Excel file "Wkyrcalc.xls," tab "Calculations."

Figures IV-7, IV-8, and IV-9 show that overall, employee labor costs over the past decade reflect a combination of contractual wage growth, inflation-driven adjustments, rising retirement and benefit contribution rates, and significant shifts in workforce composition from non-career to career positions. Although recent reductions in workhours and total headcount have moderated the pace of cost growth, factors such as higher benefit costs, increased career conversions, and volatility in overtime workhour usage continue to exert upward pressure on compensation expenses.

Appendixes

Appendix A: Fiscal Year 2022 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	19,221	$608,714	$291,022	$317,692	3,167.0	1,514.1	1,652.9	209.2%
Priority Mail	517,590	$5,690,679	$4,669,794	$1,020,885	1,099.5	902.220	197.2	121.9%
Parcel Select and Parcel Return Service (PRS)	2,948,297	$8,973,102	$5,356,434	$3,616,668	304.3	181.7	122.7	167.5%
USPS Ground Advantage	2,920,840	$16,227,928	$11,006,884	$5,221,044	555.6	376.8	178.8	147.4%
Total Ground	**5,869,137**	**$25,201,031**	**$16,819,142**	**$8,381,888**	**429.4**	**286.6**	**142.8**	**149.8%**
Competitive Domestic Services		$1,297,626	$312,782	$984,844				414.9%
Competitive Domestic Group Specific & Inframarginal Cost			$571,917					0.0%
Total Domestic Competitive Mail	**6,405,947**	**$32,798,050**	**$22,664,658**	**$10,133,392**	**512.0**	**353.8**	**158.2**	**144.7%**
Competitive International Mail & Services	116,983	$1,056,878	$796,815	$260,063	903.4	681.1	222.3	132.6%
Competitive International Non-Product Inframarginal Cost			$346					
Competitive Group Specific Costs			$1,370					
Total Competitive Non-Product Inframarginal Costs			$68,377					
Total Competitive Mail and Services	**6,522,931**	**$33,854,928**	**$23,531,566**	**$10,323,362**	**519.014**	**360.751**	**158.263**	**143.9%**

	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
MARKET DOMINANT MAIL								
First-Class Mail								
Single-Piece Letters and Cards	9,699,100	$7,017,881	$3,887,471	$3,130,410	72.4	40.1	32.3	180.5%
Presort Letters and Cards	31,469,759	$17,034,378	$4,999,199	$12,035,179	54.1	15.9	38.2	340.7%
Flats	840,060	$1,790,915	$1,391,467	$399,447	213.2	165.6	47.5	128.7%
First-Class Non-Product Inframarginal Costs			$138,830					
Total Domestic First-Class Mail	**42,008,919**	**$25,843,174**	**$10,416,968**	**$15,426,206**	**61.518**	**24.797**	**36.721**	**248.1%**
MARKETING MAIL								
High Density & Saturation Letters	6,017,414	$1,324,358	$543,924	$780,435	22.0	9.04	13.0	243.5%
High Density & Saturation Flats & Parcels	7,868,877	$1,682,825	$915,792	$767,033	21.4	11.6	9.7	183.8%
Carrier Route	2,745,354	$1,109,086	$831,991	$277,095	40.4	30.3	10.1	133.3%
Letters	37,911,961	$10,474,932	$5,007,857	$5,467,075	27.6	13.21	14.4	209.2%
Flats	1,668,401	$1,130,140	$1,534,252	-$404,112	67.7	92.0	(24.2)	73.7%
Parcels	11,706	$46,250	$22,633	$23,617	395.1	193.3	201.7	204.3%
Every Door Direct Mail - Retail	559,192	$127,612	$36,313	$91,299	22.8	6.5	16.3	351.4%
Marketing Mail Non-Product Inframarginal Costs			$224,526					
Total Marketing Mail	**56,782,903**	**$15,895,203**	**$9,117,288**	**$6,777,916**	**27.993**	**16.056**	**11.937**	**174.3%**

	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
MARKET DOMINANT MAIL								
Periodicals								
Within County	454,023	$75,676	$95,378	-$19,702	16.7	21.0	(4.3)	79.3%
Outside County	1,988,679	$807,797	$1,083,811	-$276,014	40.6	54.5	(13.9)	74.5%
Periodicals Non-Product Inframarginal Costs			$1,564					
Seamless Acceptance Incentive Payments		$0						
Total Periodicals	**2,442,702**	**$883,473**	**$1,180,753**	**-$297,280**	**36.168**	**48.338**	**(12.170)**	**74.8%**
Package Services								
Alaska Bypass	1,062	$37,138	$47,349	-$10,211	3,497.4	4,459.0	(961.6)	78.4%
Bound Printed Matter Flats	104,286	$105,132	$78,542	$26,589	100.8	75.3	25.5	133.9%
Bound Printed Matter Parcels	225,886	$383,857	$362,929	$20,928	169.9	160.7	9.3	105.8%
Media and Library Mail	69,096	$398,836	$263,645	$135,191	577.2	381.6	195.7	151.3%
Package Services Non-Product Inframarginal Costs			$659					
Seamless Acceptance Incentive Payments		$0						
Total Package Services	**400,329**	**$924,962**	**$753,124**	**$171,838**	**231.050**	**188.126**	**42.924**	**122.8%**
U.S. Postal Service Mail	355,503							
Free Mail	20,866		$24,789	-$24,789		118.802		
Total Market Dominant Mail	**102,011,222**	**$43,546,812**	**$21,492,922**	**$22,053,890**	**42.688**	**21.069**	**21.619**	**202.6%**

	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
MARKET DOMINANT SERVICES								
Ancillary Services								
Certified Mail		$788,145	$385,908	$402,238				204.2%
COD		$5,446	$1,517	$3,930				359.1%
Insurance		$52,038	$14,769	$37,269				352.3%
Registered Mail		$18,172	$9,005	$9,167				201.8%
Stamped Envelopes		$13,436	$5,500	$7,936				244.3%
Stamped Cards		$839	$294	$545				285.0%
Other Ancillary Services		$383,849	$109,249	$274,600				351.4%
Money Orders		$220,799	$133,126	$87,673				165.9%
Post Office Box Service		$332,266	$118,028	$214,238				281.5%
Caller Service		$110,633	$18,063	$92,570				612.5%
Other Special Services		$84,350	$13,772	$70,578				612.5%
Market Dominant Services Non-Product Inframarginal Costs			$9,924					
Total Market Dominant Domestic Services		**$2,009,973**	**$819,153**	**$1,190,820**				
Outbound Single-Piece Mail Intl	75,291	$152,531	$101,913	$50,617				
Inbound Single-Piece Mail Intl	57,964	$46,864	$31,390	$15,473				
International Services		$9,307	$7,266	$2,041				
Market Dominant Intl Non-Product Inframarginal Costs			$6	-$6				
Market Dominant International Mail & Services	**133,255**	**$208,702**	**$140,576**	**$68,126**				
Federal Interagency Agreements		$387,364	$143,151	$244,213				
Other Income		$531,467		$531,467				

	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
Other International Mail Attributable			$60,324	-$60,324				
Total Mail and Services	**108,667,407**	**$80,539,246**	**$46,187,692**	**$34,351,554**	**74.115**	**42.504**	**31.612**	**174.4%**
Institutional Costs			$44,143,244					
Impact of Postal Reform Legislation (Gain)								
Appropriations: Revenue Forgone		$42,301						
Investment Income		$771,345						
Total Revenues		**$81,352,891.525**						
Total Costs			**$90,330,936.542**					
Net Income (Loss)		**-$8,978,045.017**						

Source: Library Reference PRC-ACR2024-NPLR1

Appendix B: Total Factor Productivity

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 of 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. Since then, TFP increased only once - in FY 2021, and declined in all other years. TFP declines in FYs 2017 to 2019, and in FYs 2022 to 2025, were driven by workload declines that were not accompanied by sufficient declines in inputs. TFP declines in FY 2016 and FY 2020 were characterized by workload increases that were accompanied by more substantial increases in inputs.

In FY 2021 – the only year of the last decade when TFP increased, workload increased and inputs declined. Such combination of increase in workload and reduction in inputs has been rare and occurred only seven times since 1964. However, the FY 2021 TFP increase was driven by workload and inputs changes relative to FY 2020 - the first year of the COVID-19 pandemic. In FY 2020, labor and material increased due to circumstances related to the pandemic. For this reason, decreases in labor and material in FY 2021 from their FY 2020 levels were more likely driven by relaxing conditions that increased inputs use in FY 2020 rather than operational efficiency improvements. The FY 2021 increase in workload was driven by continued increase in the number of delivery points and a relatively small decline in volume compared to FY 2020.

Since 1972, TFP experienced its largest decline in FY 2023, when it dropped 4.11 percent. The second largest decline occurred in 1979 (-2.09 percent). FY 2025 marks the third largest drop in TFP (-2.08 percent). Put differently, of the three historically largest declines in productivity, two have occurred in the last 3 years. Fiscal Years 2023 and 2025 also mark the two largest declines in labor productivity since 1972 (-3.0 percent and -2.1 percent, respectively).

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. For example, FY 2025 productivity measures that the Postal Service filed with its *FY 2025 ACR* were based on the FY 2024 CRA and ICRA data.

The preliminary measures of FY 2025 productivity suggested a 1.7 percent decrease in TFP and a 1.6 percent decrease in labor productivity. With FY 2025 CRA and ICRA data incorporated, TFP and labor productivity declines were steeper: a 2.1 percent decline for both measures. The 2.1 percent TFP decline in FY 2025 was a result of a larger decline in workload (-2.2 percent) than the decline in inputs (-0.1 percent). Similarly, the insufficient decline in labor quantity (-0.13 percent) for the decline in workload (-2.2 percent) resulted in decline of labor productivity.

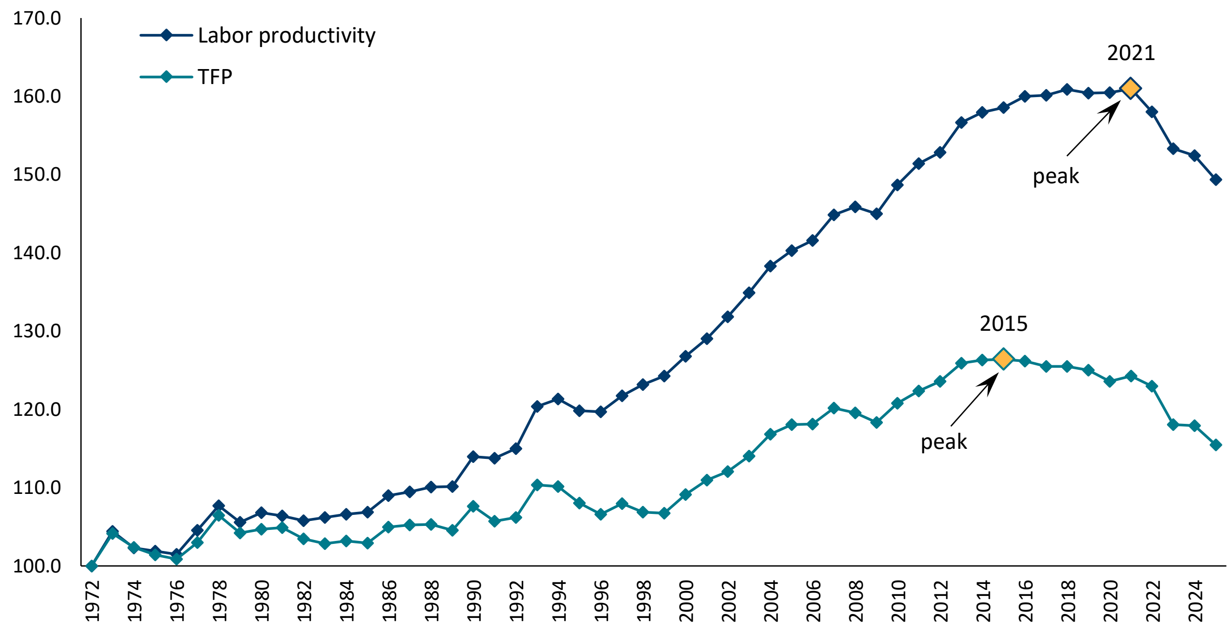
Workload decline was driven by a 4.3 percent decline in output (a measure of weighted mail volume and miscellaneous output) from FY 2024. As for inputs, decreases in labor and material quantity (-0.13 percent and -0.61 percent, respectively) were almost outweighed by a 1.89 percent increase in capital, for an overall input decrease of 0.12 percent.

While total employee workhours decreased by 11.8 million (or 1.03 percent) in FY 2025, workhours increased for some labor categories and decreased for others. Specifically, workhours increased for postmasters, supervisors, rural carriers, building services, and vehicle maintenance personnel (4.5 million workhours in total), and they decreased for the remaining categories of labor, including clerks and mailhandlers, city delivery carriers, and vehicle service drivers (-16.3 million workhours in total).

However, when accounting for wage rates, the 11.8 million (or 1.03 percent) reduction in total workhours represents a lower (0.13 percent) reduction in total labor quantity. For clerks and mailhandlers, the 6.3 million (or 1.9 percent) reduction in employee workhours represents only 0.8 percent reduction in quantity of labor for this category. Similarly, the 8.8 million (or 15.1 percent) reduction in city delivery carriers' and vehicle service drivers' workhours represents only a 0.7 percent decrease in labor quantity.

The Postal Service explains that the capital investments in the redesign and modernization of the organization have had a negative impact on TFP in FY 2025, and it characterizes this impact as "short-term."[134]

Figure B-1
Postal Service Total Factor Productivity and Labor Productivity, FY 1972–FY 2025



Source: Excel file "Table Annual 2025 (public)_r.xlsx," tabs "Tfp-52" and "Tfp-53," attached to the Response to CHIR No. 8, question 4.

[134] FY 2025 Annual Report to Congress at 56.