



Increased Rate Authority Will Not Solve USPS Financial Challenges

MARCH 5, 2026

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EXECUTIVE SUMMARY

March 2026

In December 2025, the United States Postal Service (USPS) petitioned for expanded rate authority to improve its financial position. Our report evaluates whether this approach restores financial stability.

We find that USPS's financial challenges are cost driven. Under the USPS strategic plan, *Delivering for America* (DFA), revenue has exceeded projections, but rising labor costs and declining productivity have more than offset those gains.¹ Scenario modeling shows that expanded rate authority does not reliably produce break-even results. In contrast, sustained cost reductions materially strengthen financial outcomes.

We conclude that there is a credible path to long-term financial stability, but it requires a multi-year cost containment and productivity plan, not expanded rate authority. In practice, USPS needs sustained cost reductions, such as workforce resizing through attrition and targeted hiring, and operational changes that raise productivity. These steps may present short-term friction, but the fiscal effects compound over time. If carried out consistently, cost containment and productivity improvements offer a more durable route to break-even performance.

Key findings are summarized below.

- 1. USPS has not improved its financial performance under DFA.** Across metrics, DFA has not delivered the expected financial turnaround.
 - Cumulative controllable losses, which reflect USPS core operations, totaled \$9.7 billion over FY2021-25. DFA had projected a \$1.3 billion gain.
 - Cumulative net losses reached \$26.5 billion during FY2021-25, excluding workers' compensation adjustments. This performance is substantially worse than the \$7.8 billion loss DFA anticipated over this period.
- 2. Revenue outperformed projections, but cost reductions did not.** The USPS financial imbalance is driven by cost growth, not revenue shortfalls.
 - Operating revenue exceeded DFA projections by \$25.7 billion over five years while controllable costs were \$38.2 billion over the DFA target.
 - Labor costs and productivity declines are key drivers of cost overruns. Salaries and benefits

¹ In 2024, USPS released *Delivering for America 2.0*. Since this version does not include updated financial projections, our research relies on the figures published in the original DFA report.

totalled \$286.9 billion during FY2021-25, \$41.7 billion above DFA projections.

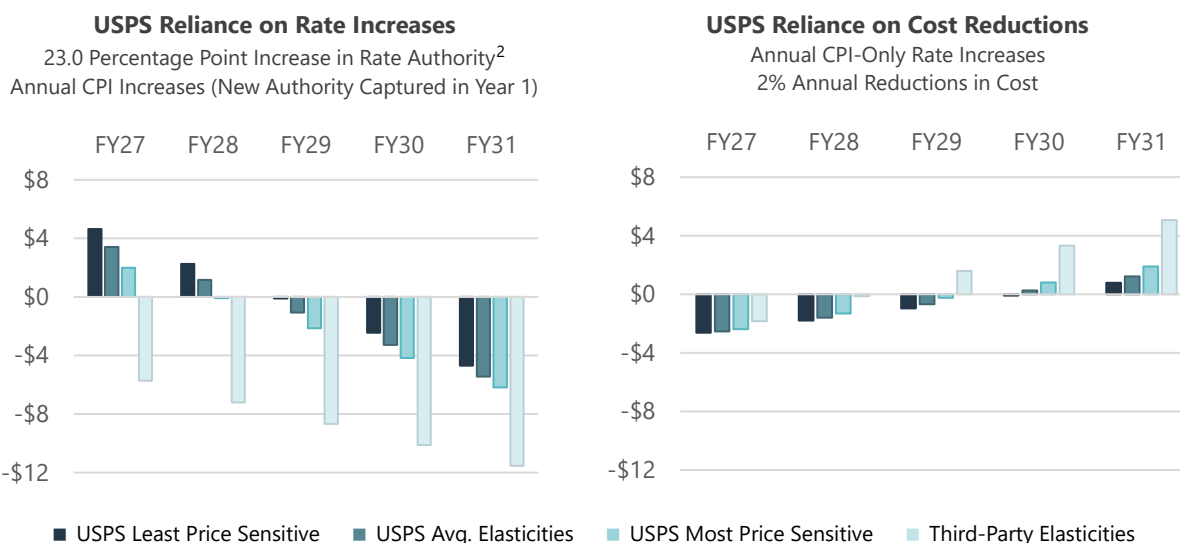
- USPS employment levels have remained relatively stable despite volume declines. At the same time, productivity declined. Had USPS maintained historical productivity levels under DFA, it could have avoided nearly \$15 billion in costs.

3. Cost containment is necessary to achieve financial stability. Under a range of scenarios, rate increases do not resolve financial imbalances. Cost containment produces better results. These findings indicate that a sustainable future requires cost discipline and productivity improvements.

- USPS must exercise caution when applying its assumed price sensitivities to steep, untested rate increases. Under DFA, annual market-dominant mail volume declines nearly doubled, a period characterized by more frequent and higher-magnitude rate increases. If demand is more sensitive than expected, aggressive pricing will accelerate erosion of the mail base.
- In a revenue-generating scenario that allows for a 23 percentage point increase in rate authority, simulations result in cumulative losses through FY2031. Only under the most inelastic assumptions do large, front-loaded increases near break-even. (Figure E1)
- In a cost containment scenario combining CPI rate increases with 2% annual reductions in costs, controllable income improves materially and turns positive under a range of elasticities. Moreover, in all cases, the financial position improves over time. (Figure E1)

Figure E1. USPS must shift its focus to containing costs to achieve long-term stability.

Controllable Income Scenarios Tested with a Range of Elasticities (\$B)



Key Assumptions	Revenue Generating Scenario	Cost Containment Scenario
Rate Authority	23 Percentage Point Increase + CPI	CPI-Only
Controllable Cost Growth / Reduction	+1.5% per year	-2.0% per year
Competitive Package Revenue Growth	+0.5% per year	
Price Sensitivity	3 sets of USPS elasticities + 1 set of third-party elasticities	

² This scenario is based on USPS’s request for a 22.974pp increase in authority submitted to the PRC on Feb. 4, 2026.

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Increased Rate Authority Will Not Solve USPS Financial Challenges

Elevated Insights Group³

March 5, 2026

Background

In December 2025, USPS petitioned for additional rate authority that would allow steep price increases in pursuit of breaking even.⁴ While framed as a necessary step toward financial stability, this request raises a fundamental question: are USPS's challenges primarily a revenue problem or a cost problem? The evidence suggests that continued reliance on significant rate increases risks accelerating volume declines without resolving the structural drivers of loss. Absent meaningful cost containment, USPS is unlikely to achieve sustained financial balance.

Central to this analysis is the distinction between USPS's two lines of business: Market Dominant mail and Competitive packages. Market Dominant products, such as First-Class Mail (letters, cards, postcards) and Marketing Mail (direct mail and advertising), operate under a legal monopoly. USPS has exclusive access to mailboxes and authority over letter delivery; in exchange, these products are subject to strict regulatory oversight. The Postal Regulatory Commission (PRC) imposes price caps and regulates rate adjustments to protect mailers from monopoly pricing power. Competitive packages, which consist of shipping and package services like Priority Mail and Parcel Select, face direct competition from private carriers such as UPS, FedEx, and DHL.⁵ These services are priced with greater flexibility to respond to market conditions but are prohibited from being subsidized by market-dominant revenues. This bifurcated structure shapes USPS's revenue strategy and financial outcomes.

Against this backdrop, USPS's recent strategy has relied heavily on Market Dominant rate increases to offset declining volumes and rising expenses. However, higher prices can accelerate volume losses, eroding the very revenue base the increases are intended to stabilize. Our research evaluates USPS's financial performance under the original *Delivering for America* (DFA) plan and examines if reforms have meaningfully improved operations. We found that USPS's financial imbalance is driven by cost growth rather than insufficient pricing authority. Rate increases (due to new additional authority) will not achieve financial stability. Instead, USPS must improve productivity and reduce spending.

³ Elevated Insights Group gratefully acknowledges financial support from the Envelope Manufacturers Association (EMA) Foundation and the Association for Postal Commerce. The views expressed in this paper are solely those of the author.

⁴ On Dec. 22, 2025, USPS submitted a petition to the PRC for a 22.038 percentage point increase in new rate authority. USPS revised this request to 22.974 percentage points in a supplemental filing on Feb. 4, 2026.

⁵ Throughout the report, we refer to USPS Competitive products as "Competitive packages" to clarify the core business in this category.

USPS Performance Under DFA

In FY2021, USPS implemented *Delivering for America* (“DFA”), its strategic plan to achieve financial stability. DFA projected USPS would achieve positive controllable income and net income by FY2023 and FY2025, respectively. This section evaluates performance under the original DFA projections.⁶ It shows that USPS has been unable to improve its overall financial position despite securing policy gains and increased rate authority. Moreover, these shortfalls are due to rising costs, not lagging revenue.

Controllable Income & Net Income

The analysis examined both controllable income and net income. Controllable income includes short-term variable costs and reflects USPS’s core operations. It excludes long-term variable costs, such as retiree health benefit amortization, pension-related adjustments, and workers’ compensation revaluations. Net income, on the other hand, is the true bottom line, including long-term variable costs.

Five years after DFA’s implementation, actual income is far below DFA projections.

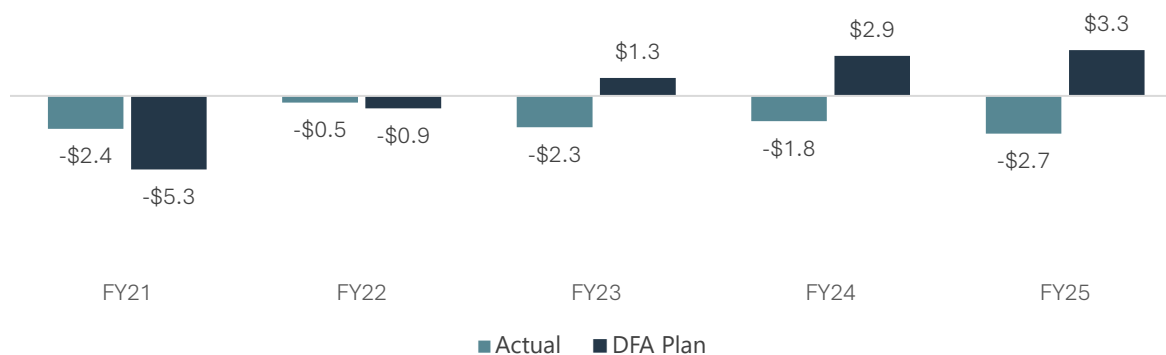
USPS performance is below DFA projections for controllable income and net income.

Controllable Income Compared to DFA Projections

DFA expected positive controllable income starting in FY2023 and accumulating a gain of \$1.3 billion over the first five years. Yet USPS performance lagged. During FY2021-25, USPS realized a cumulative controllable loss of \$9.7 billion. (Figure 1)

Figure 1. USPS has not realized positive controllable income under DFA.⁷

USPS Controllable Income (\$B)



	Actual	DFA Plan	Difference
Total, FY2021-25	-\$9.7B	\$1.3B	-\$11.0B

⁶ In September 2024, USPS published an update to DFA, *Delivering for America 2.0*. This version does not include updated financial projections. Therefore, this research relies on the figures provided in the original strategic plan.

⁷ USPS. 2021. *Delivering for America*; USPS. Preliminary Unaudited Monthly Financials, FY2021-25. Note: FY2022 net income (loss) excludes \$57B impact of Postal Service reform legislation on past-due retiree health benefit prefunding obligations. (See footnote 6)

Net Income Compared to DFA Projections

DFA anticipated net income would break even in FY2023 and improve in subsequent years. Instead, USPS ended FY2025 with a \$6.3 billion loss, excluding workers' compensation adjustments (not projected in DFA). Over the past five years, cumulative losses totaled \$26.5 billion, \$18.7 billion worse than expected in DFA. (Figure 2)

Figure 2. USPS net income has not improved under DFA.

USPS Net Income, Excl. Workers' Compensation (\$B)



	Actual (Excl. Workers' Comp)	DFA Plan	Difference
Total, FY2021-25	-\$26.5B	-\$7.8B	-\$18.7B

USPS's financial position has not improved under DFA.

Controllable income and net income are not materially better than five years before DFA.

Controllable Income Before & After DFA

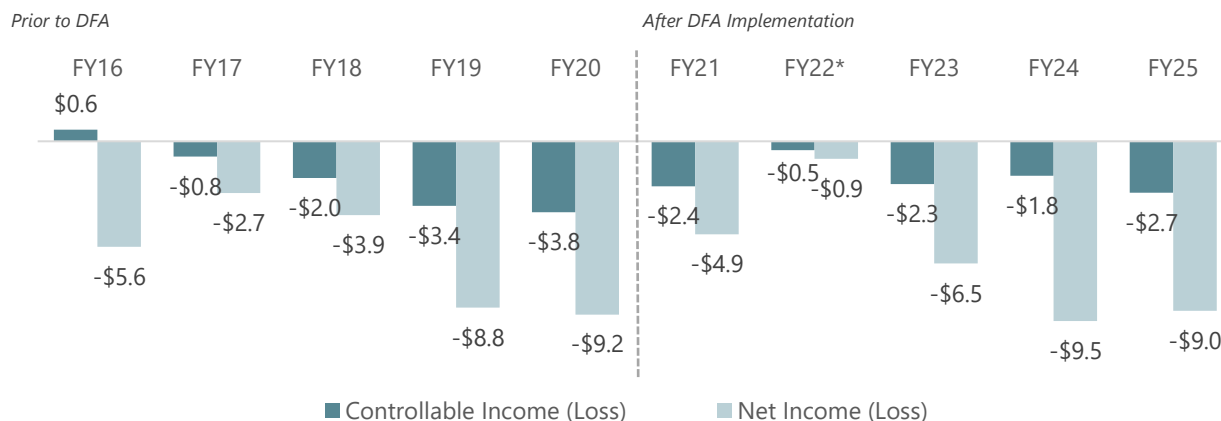
DFA was expected to change the financial trajectory of the Postal Service. Comparing the five years before DFA (FY2016-20) with the five years after (FY2021-25), cumulative controllable losses are similar, \$9.3 billion and \$9.7 billion, respectively, with both averaging \$1.9 billion in losses annually. (Figure 3)

Net Income Before & After DFA

In the five years before DFA, cumulative net losses totaled \$30.2 billion (\$6.0 billion annual average). In contrast, under the five years of DFA, cumulative net losses totaled \$30.8 billion (\$6.2 billion annual average). While FY2022 shows a notably smaller net loss, the broader trend indicates that DFA's operational initiatives have not meaningfully improved and financial performance remains structurally negative. (Figure 3)

Figure 3. DFA initiatives have not improved USPS's financial position.⁸

USPS Controllable Income & Net Income (\$B)



Total	Controllable Income		Net Income	
	Cumulative	Annual Average	Cumulative	Annual Average
Pre-DFA, FY2016-20	-\$9.3B	-\$1.9B	-\$30.2B	-\$6.0B
Post-DFA, FY2021-25	-\$9.7B	-\$1.9B	-\$30.8B	-\$6.2B
Post-DFA Difference	-\$0.3B	-\$0.1B	-\$0.6B	-\$0.1B

Totals may not sum due to rounding.

Note: In Figure 3, USPS income (loss) includes workers' compensation. Therefore, annual and cumulative losses in Figure 3 and Figure 2 are different. (In Figure 2, actual income excludes workers' compensation to accurately compare USPS performance to DFA projection which did not estimate workers' compensation).

USPS's financial challenges are primarily driven by costs, not insufficient revenue.

The Postal Service outperformed *Delivering for America's* revenue projections. Yet it significantly underperformed on controllable costs.

Impact of Revenue Performance on DFA Projected Income

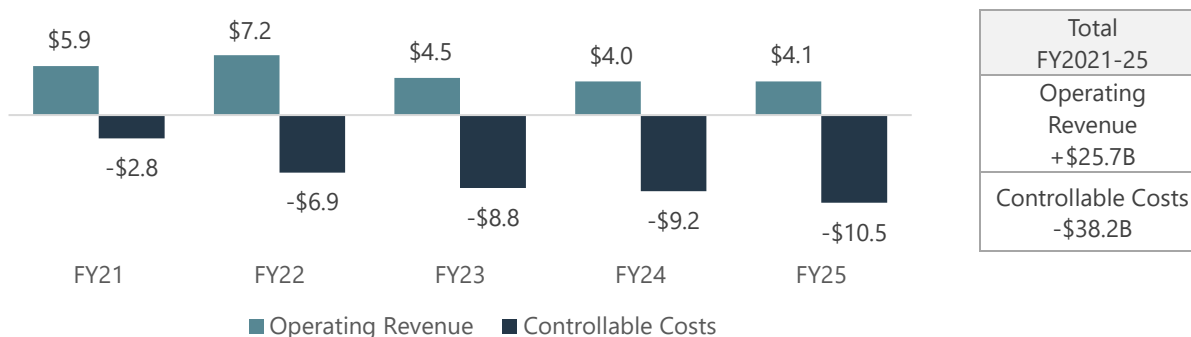
From FY2021 to FY2025, operating revenue exceeded DFA projections each year, contributing an additional \$25.7 billion to the USPS bottom line. (Figure 4)

Impact of Controllable Cost Performance on DFA Projected Income

USPS controllable costs were higher than planned, resulting in a cumulative negative contribution of \$38.2 billion compared to the DFA projection. The gap between actual and DFA projected costs has widened each year, reaching \$10.5 billion in FY2025. (Figure 4)

⁸ USPS 10K Annual Reports, FY2016-25; Note: FY2022 excludes a \$57 billion non-cash adjustment stemming from Postal Service Reform Act's repeal of the retiree health benefit (RBH) prefunding mandate. Consistent with USPS's treatment of its underlying financial position in subsequent rate proceedings, this analysis excludes the one-time adjustment to focus on operating performance.

Figure 4. USPS revenue exceeded DFA projections by \$26B while controllable costs were \$38B worse.⁹
Actual Contribution to USPS Income Compared to DFA Plan (\$B)



Controllable Costs

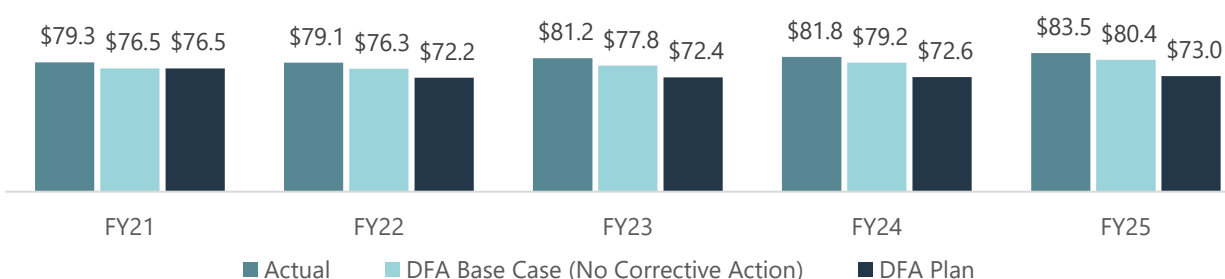
We evaluated controllable costs, including labor, transportation, and other operating expenditures. We find significant cost overrun compared to DFA, primarily driven by labor costs.

Controllable costs exceeded DFA projections.

USPS controllable costs have consistently exceeded the DFA forecast. Annual expenditure rose from \$79.3 billion to \$83.5 billion from FY2021 to FY2025, while DFA expected costs to stay at or below \$73 billion after FY2021. The gap has widened over time; actual costs were \$10.5 billion higher than the DFA Plan in FY2025. Even compared to the DFA Base Case, the USPS scenario where DFA’s corrective actions were never implemented, actual expenses remained several billion dollars higher each year.¹⁰ (Figure 5)

Figure 5. Controllable costs lag DFA Plan and Base Case (No Corrective Action) projections.¹¹

USPS Controllable Costs (\$B)



	Actual	DFA Base Case No Corrective Action	DFA Plan	Difference from DFA Base Case No Corrective Action	Difference from DFA Plan
Total, FY2021-25	\$404.9B	\$390.2B	\$366.7B	-\$14.7B	-\$38.2B

⁹ USPS. 2021. *Delivering for America*; USPS Preliminary Monthly Financials, FY2021-25.

¹⁰ USPS describes this scenario as follows: “[The] base case 10-year projection [illustrates] our financial condition if we do not: (i) increase operational efficiencies; (ii) use the PRC new price cap on market dominant products; (iii) grow revenue from our competitive products; and (iv) restructure retiree liability funding requirements.” (DFA, pp. 42.)

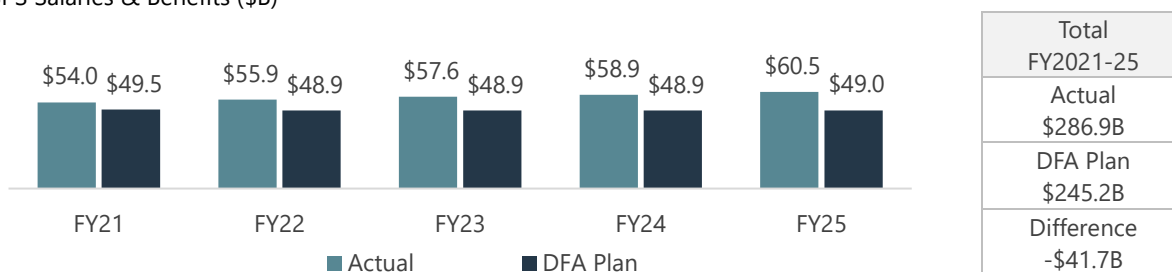
¹¹ USPS. 2021. *Delivering for America*; USPS Preliminary Monthly Financials, FY2021-25.

Labor expenses have driven losses.

Salaries and benefits are the Postal Service’s largest expense, reaching 72% of controllable costs in FY2025. This segment has been a principal contributor to financial shortfalls under DFA. Over the first half of DFA, salaries and benefits totaled \$286.9 billion, \$41.7 billion (17%) above DFA projections. Each year, labor costs rose while the DFA projection remained relatively flat. (Figure 6)

Figure 6. In FY2025, actual salary and benefit expenses were over \$11B higher than the DFA Plan.¹²

USPS Salaries & Benefits (\$B)

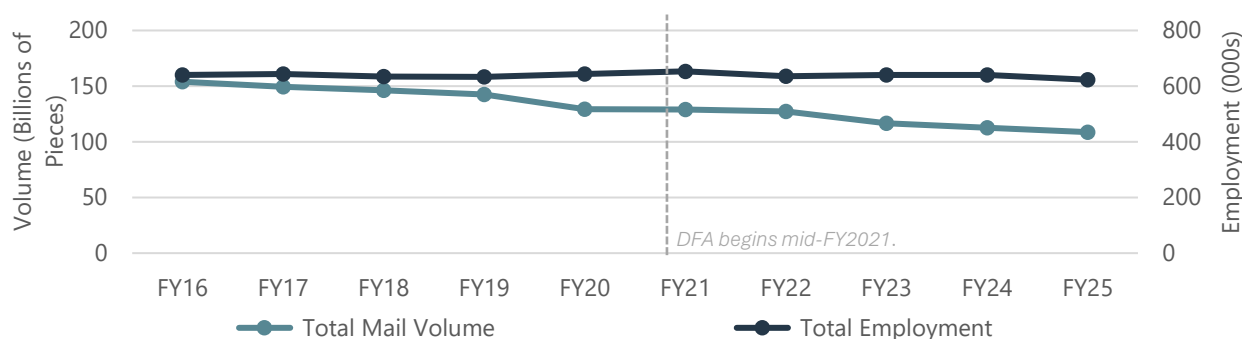


Employment

The USPS workforce has remained flat despite declines in volume. In FY2016, USPS employed approximately 639,800 workers to process and deliver 153.9 billion pieces of mail. In FY2025, employment totaled 623,000, while volume fell to 108.7 billion pieces. Over this period, volume decreased by 29.4%, compared to 2.6% for employment. While USPS operates a large fixed-cost delivery network (especially due to the Universal Service Obligation) and cannot reduce staffing in direct proportion to volume declines, this divergence underscores the growing importance of productivity improvements to offset falling demand. (Figure 7)

Figure 7. Despite declining mail volumes, current USPS employment is similar to FY2016.¹³

USPS Employment & Mail Volume



	FY2016	FY2021	FY2025	10 Yr Change FY2016-25	DFA Change FY2021-25
Total Mail Volume (B)	153.9	128.9	108.7	-29.4%	-15.6%
Total Employment (000s)	639.8	653.2	623.0	-2.6%	-4.6%

¹² USPS. 2021. *Delivering for America*; USPS Preliminary Monthly Financials, FY2021-25.

¹³ USPS Annual Reports to Congress, FY2016-25; USPS Preliminary Monthly Financials, FY2016-25.

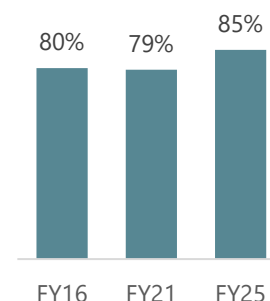
USPS Workforce Under DFA

DFA includes an initiative to convert more workers to career status. This effort increases labor costs, adding pressure to the USPS bottom line. Over the past decade, the share of career employees rose from 80% to 85%. This trend increases controllable costs (salaries and benefits) and long-term variable costs, such as retirement obligations and workers' compensation. (Figure 8)

DFA also planned for a reduction in labor costs; its FY2021 salary-and-benefits projection was \$2.9 billion below FY2020 actual spending (nearly a 6% decline). Given that wages typically do not fall, DFA must have assumed it would reduce its headcount to achieve its projection.

Figure 8. USPS has pushed for more career workers.¹⁴

Share of USPS Career Workers



Current employment is likely far above DFA expectations. This conclusion is based on two key observations: 1) higher-than-expected wage inflation only accounts for a fraction of the DFA's overrun in labor costs, and; 2) the increase in the USPS cost per worker is in line with the labor market overall, indicating the issue is not outsized wage growth.¹⁵

To estimate the implied staffing levels under DFA, we calculated a counterfactual salary-and-benefit cost per worker based on pre-pandemic inflation expectations and USPS's observed wage growth. This reflects the cost per worker that USPS may have anticipated, given the economic projections available when DFA was developed. To calculate employment, we divide DFA's planned spending on salaries and benefits by our counterfactual cost per worker. Under this approach, a workforce consistent with DFA's FY2025 labor-cost forecast is 535,400 employees, about 14% below current levels. At today's wage rates, meeting that target would have reduced FY2025 costs by \$8.5 billion. (Figure 9)

To reach a DFA-sized workforce, USPS would have had to reduce employment by an additional 17,500 per year from FY2020 levels. This magnitude is not unprecedented: USPS cut more than 98,000 positions from FY2000 to FY2005 (about 19,600 per year).¹⁶ Importantly, workforce reductions do not require layoffs. USPS loses roughly 40,000 employees annually, about a 6% attrition rate, so limiting hiring to critical backfills as employees leave or retire could lower labor costs over time while avoiding involuntary separations.¹⁷

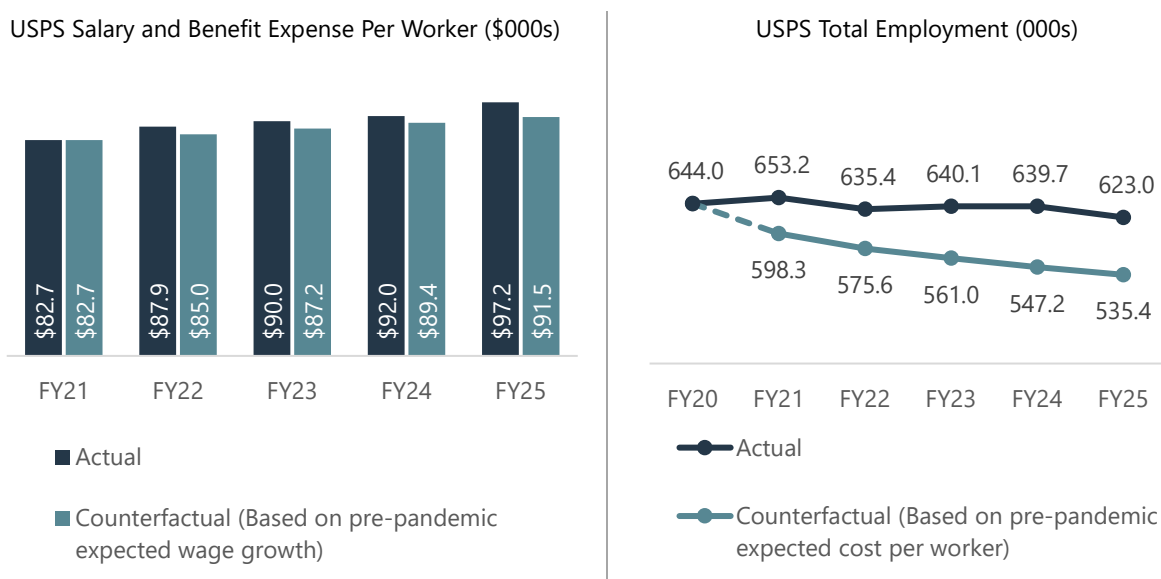
¹⁴ USPS Annual Reports to Congress.

¹⁵ Wage inflation is measured by the Employment Cost Index (ECI). Pre-pandemic, the CBO forecasted ECI would rise 14% during FY2021-25; it actually increased 18%. Under DFA, labor costs increased 12% over FY2021-25, while DFA projected a 1% decline. After adjusting for higher-than-expected inflation, USPS costs remain far above the DFA forecast.

¹⁶ In FY2000, total USPS employment was 901,238; in FY2005 it was 803,000; Ginsberg, Wendy R. 2011. *U.S. Postal Service Workforce Size and Employment Categories, 1990-2010*. Congressional Research Service, April 4.

¹⁷ Heckman, Jory. 2024. *USPS is growing its workforce, but a 'retirement wave' may be coming soon, watchdog warns*. Federal News Network, August 20.

Figure 9. Estimated workforce expectations under DFA.¹⁸



Note: In FY2021 the actual and counterfactual salary and benefit cost per worker are the same. Since DFA was implemented mid-year FY2021, we treat this year as the base for counterfactual wage growth.

Mail Volume & Revenue

We examined revenue from Market Dominant mail and Competitive packages. USPS performance reflects both pricing decisions and underlying volume trends, especially for Market Dominant mail.

Market Dominant mail is critical to the USPS bottom line.

While DFA focuses on Competitive package growth, Market Dominant mail remains central to USPS's bottom line.

Revenue

In FY2025, Market Dominant mail accounted for 57% of revenue, driven by First-Class Mail (33%) and Marketing Mail (20%) while Competitive packages accounted for 42% of revenue. (Figure 10)

Contribution to Institutional Costs

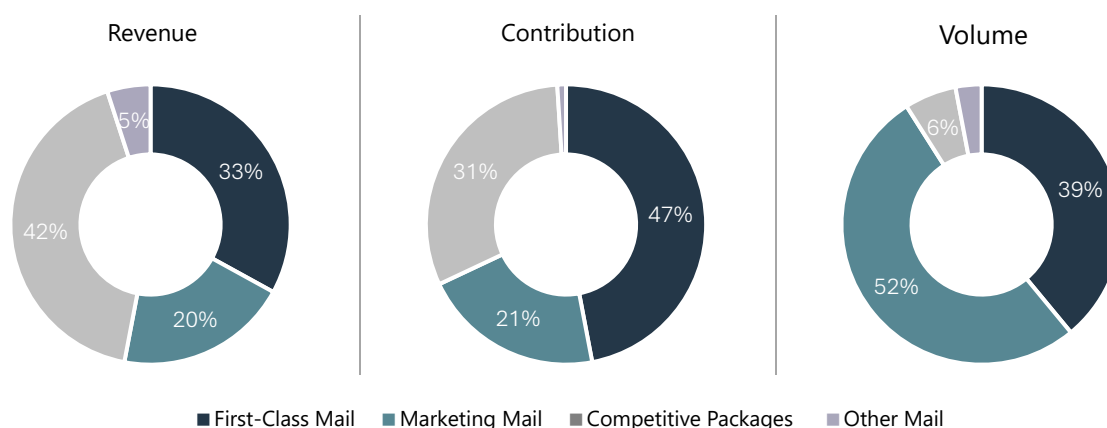
Market Dominant mail covers more institutional (shared systemwide) costs than Competitive packages. This contribution is measured by subtracting attributable costs (product-specific and volume variable costs) from revenue. In FY2025, First-Class and Marketing Mail accounted for 68% of the contribution to institutional costs. (Figure 10)

¹⁸ USPS. 2021. *Delivering for America*; USPS Preliminary Monthly Financials, FY2021-25; CBO Economic Projections, 2019 and 2026. BLS Employment Cost Index; Authors' estimates.

Volume

The importance of Market Dominant mail is even more pronounced for volume. These products represented 94% of all pieces handled by USPS in FY2025. Marketing Mail alone accounted for 52% of volume, while First-Class Mail comprised 39%. Competitive packages, though significant from a revenue perspective, represented only 6% of total pieces. (Figure 10)

Figure 10. Market Dominant mail is critical to USPS operations.¹⁹
USPS Market Dominant Mail and Competitive Package (Excl. Services), FY2025



Notes: Values 3% and lower not labeled.

Contribution to institutional (shared systemwide) costs is revenue minus attributable costs.

Revenue exceeded DFA expectations.

Despite the strategic emphasis on Competitive packages, Market Dominant mail continues to anchor USPS's revenue base. The stronger-than-expected performance of these products, and comparatively softer Competitive package performance, suggest that USPS has remained more reliant on regulated mail than anticipated under DFA.

Market Dominant Mail Revenue

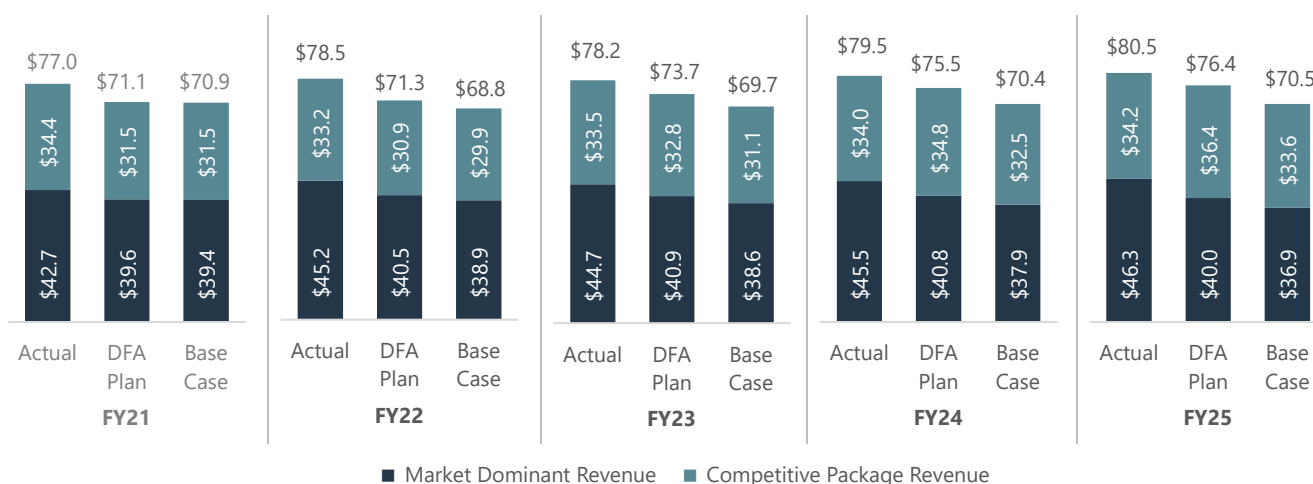
In FY2025, Market Dominant revenue reached \$46.3 billion, accounting for 57% of total revenue, well above the 52% share anticipated in DFA. In fact, revenue for this category was 25% and 15% higher than the Base Case and Plan, respectively. Under DFA, Market Dominant mail recorded higher-than-expected revenue each year. Over the entire period, these products generated \$224.4 billion in revenue, \$22.6 billion more than the DFA forecast, and \$32.7 billion higher than the Base Case. (Figure 11)

¹⁹ USPS Annual Reports to Congress, FY2016-25; USPS Preliminary Monthly Financials, FY2016-25; USPS. FY2025 Public Cost and Revenue Analysis (PCRA) Report.

Competitive Package Revenue

The trend for Competitive packages is not as straightforward. In FY2021, Competitive package revenue reached \$34.4 billion, a level DFA did not anticipate until after FY2023, even with its initiatives to promote the category. This initial surge was driven by the Covid-19 pandemic. Since then, Competitive package revenue has leveled off. In fact, FY2021 marked the highest category revenue during the first half of DFA. Most recently, Competitive package revenue has underperformed DFA, lagging the projection by \$2.2 billion in FY2025. Still, over the five-year period, these products generated \$169.3 billion, beating the DFA Plan and Base Case by \$2.9 billion and \$10.7 billion, respectively. (Figure 11)

Figure 11. Market Dominant mail generated more revenue each year than forecasted under DFA.²⁰
USPS Revenue by Category (\$B)



Total, FY2021-25	Actual	DFA Plan	DFA Base Case No Corrective Action	Difference from DFA Plan	Difference from DFA Base Case No Corrective Action
Market Dominant Revenue	\$224.4B	\$201.8B	\$191.7B	\$22.6B	\$32.7B
Competitive Package Revenue	\$169.3B	\$166.4B	\$158.6B	\$2.9B	\$10.7B
Total Revenue	\$393.7B	\$368.0B	\$350.3B	\$25.7B	\$43.4B

Rate increases have put downward pressure on Market Dominant mail volume.

DFA introduced unprecedented rate increases on Market Dominant mail. At the same time, this category experienced steeper volume declines. Given the significant role of Market-Dominant mail, sustained volume declines raise concern about the long-term effectiveness of relying on rate increases to stabilize USPS finances.

²⁰ USPS Annual Reports to Congress, FY2016-25; USPS Preliminary Monthly Financials, FY2016-25.

Rate Increases

Rate increases under DFA have been larger and more frequent, marking a departure from the gradual and predictable cadence before DFA. This change is clearly illustrated in the price of a stamp. Over the past decade, the cost of a First-Class first-ounce letter rose 66% from \$0.47 to \$0.78. Under DFA, the initial cost of postage was \$0.55 (March 2021), since then the rate has risen 42%. In total, this category of mail has experienced seven rate increases under DFA compared to only four in the five years before implementation. (Table 1)

Table 1. Under DFA, rate increases are larger and more frequent.²¹

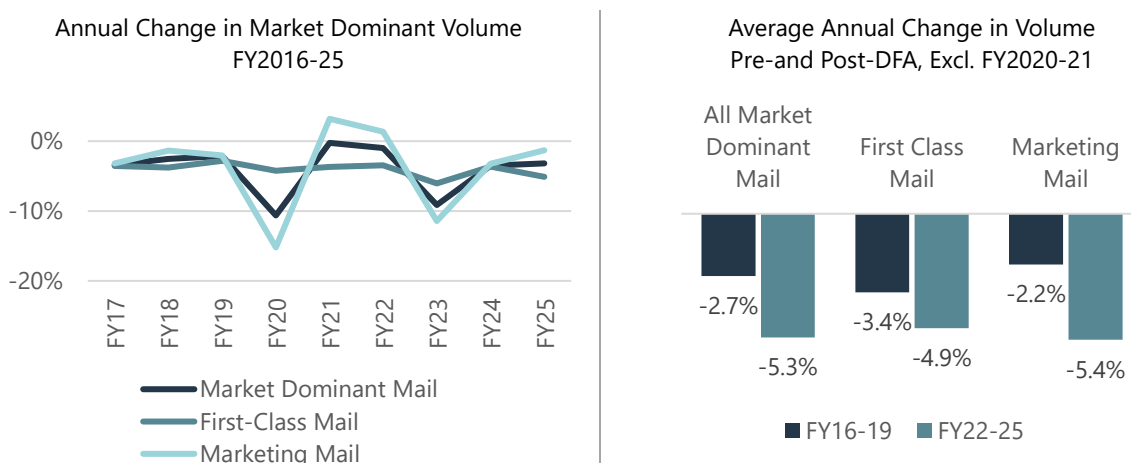
USPS First Ounce Postage Rates for First-Class Letters

Period	First-Ounce Letter Rate	Cumulative Increase		
		Over 10 Yrs	Under DFA	
5 Years Pre-DFA	Apr 2016	\$0.47	0%	
	Jan 2017	\$0.49	4%	
	Jan 2018	\$0.50	6%	
	Jan 2019	\$0.55	17%	0%
First 5 Years Under DFA	Aug 2021	\$0.58	23%	5%
	Jul 2022	\$0.60	28%	9%
	Jan 2023	\$0.63	34%	15%
	Jul 2023	\$0.66	40%	20%
	Jan 2024	\$0.68	45%	24%
	Jul 2024	\$0.73	55%	33%
	Jul 2025	\$0.78	66%	42%

Volume Changes

Annual volume declines have been more severe under DFA. To avoid pandemic effects, we examine average year-over-year changes excluding FY2020-21. In the five years before DFA, Market Dominant mail volume declined at an average annual rate of 2.7%; in the first five years of DFA, the decline nearly doubled to 5.3%. Comparing these two periods, annual First-Class and Marketing Mail declines worsened from 3.4% to 4.9%, and from 2.2% to 5.4%, respectively. While structural factors, such as digital substitution, continue to affect mail demand, the timing of steeper volume declines coincides with larger and more frequent rate increases. (Figure 12)

Figure 12. Excluding the pandemic years, volume declines have accelerated compared to pre-DFA.²²



²¹ USPS domestic first-class rates, 1863–present.

²² USPS Preliminary Monthly Financials, FY2016–25. FY2022–25 includes federal election-cycle surges (including the Fall 2024 presidential election, which was in FY2025), that can temporarily boost mail volume. As a result, the decline for this period may be understated relative to an “off-election” baseline.

Productivity Declines Have Exacerbated Losses

Productivity is key to USPS's financial performance given its vast, labor-intensive network with high fixed costs and declining mail density. In such an environment, financial stability depends not only on revenue growth, but on the ability to deliver mail and packages more efficiently over time. Improvements in productivity allow USPS to offset volume declines, contain unit costs, and maintain moderate rate increases. Conversely, when productivity declines, costs rise faster than revenue, eroding margins and worsening losses. So, productivity improvements are foundational to achieving long-term sustainability.

USPS productivity is at its lowest level in recent years.

Total Factor Productivity (TFP) and labor productivity provide insights into USPS operational performance. TFP reflects the overall efficiency of the system, capturing how effectively USPS converts its major resources, labor, transportation, facilities, and equipment, into delivered mail and packages. Labor productivity, by contrast, focuses only on labor output, measuring how much volume is processed and delivered for each hour worked.

Productivity Before & After DFA

USPS has experienced sustained productivity declines under *Delivering for America*, a period that also included two reductions in service standards. In the five years prior to DFA (FY2016-20), Total Factor Productivity (TFP) declined modestly, 0.5% per year on average. After DFA, the pace accelerated, with annual declines averaging 1.7%. By FY2025 TFP was down 6.8% relative to the start of DFA. Labor productivity shows a similar pattern. It was broadly stable before DFA (average growth of 0.1% per year) but fell in the post-DFA period. This reversal matters because of USPS's large, fixed-cost network; when productivity falls, unit costs rise, putting upward pressure on rates and worsening financial performance. (Figure 13)

DFA sought to increase efficiency via extensive system modernization and network redesign, supported by \$40 billion in planned investments.²³ While USPS points to its capital expenditures as the driver of lower TFP, the decline in productivity also indicates that efficiency improvements have not been realized yet.²⁴ The effectiveness of DFA's investments is debatable. The Office of Inspector General, for example, found that modernization efforts in Richmond, Virginia were accompanied by higher labor and transportation costs and that the initiatives were not tracked in ways that credibly verify claimed transportation savings.²⁵ The PRC cautioned that USPS is making irreversible network changes based on defective modeling and optimistic, unsubstantiated savings projections.²⁶ If USPS investments do not translate into measurable cost reductions, then rate increases used to finance the investment program effectively shift resources from mailers and shippers to support the government postal network without commensurate productivity gains.

²³ USPS. 2021. *Delivering for America*.

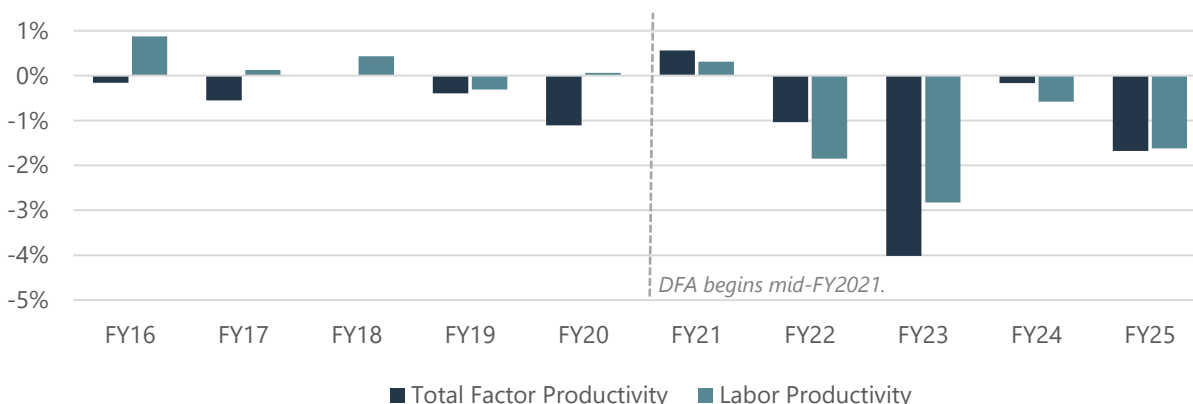
²⁴ See, for example, USPS. *Annual Report to Congress, FY2025*.

²⁵ USPS OIG. 2024. *Effectiveness of the New Regional Processing and Distribution Center in Richmond, VA*. Report No. 23-161-R24, March 28.

²⁶ Postal Regulatory Commission. 2025. *Advisory Opinion on the Operational and Service Standard Changes Related to the Delivering for America Plan*. Docket No. N2024-1. Issued January 31.

Figure 13. USPS productivity has declined since the introduction of DFA.²⁷

USPS Total Factor and Labor Productivity, Year-Over-Year Percent Change from Base Year



	Total Factor Productivity (TFP)		Labor Productivity	
	Cumulative	Annual Average	Cumulative	Annual Average
Pre-DFA, FY2016-20	-2.0%	-0.5%	0.3%	0.1%
Post-DFA, FY2021-25	-6.8%	-1.7%	-6.7%	-1.7%
Post-DFA Difference*	-4.8 pp	-1.2 pp	-7.0 pp	-1.8 pp

*Percentage point difference.

Productivity declines are cost driven.

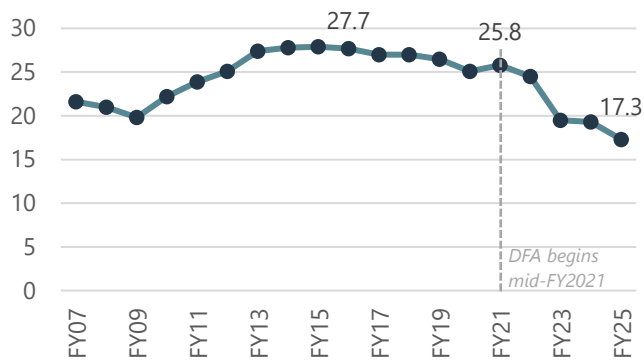
Restoring productivity is central to long-term financial stability.

Total Factor Productivity Performance

Before DFA, USPS Total Factor Productivity (TFP) was broadly stable. Beginning in FY2021, however, TFP fell sharply from 25.8% to 17.3% in FY2025 (relative to the 1971 base year). Currently, productivity is at its lowest since 2003. This deterioration makes it more costly for USPS to operate. (Figure 14)

Figure 14. In FY2025, USPS productivity reached its lowest level since 2003.²⁸

USPS TFP, Percent Change Relative to Base Year (1971)



Datapoints labeled for FY2016, FY2021, and FY2025

Productivity Cost Savings Scenario

To illustrate the cost-savings with productivity improvements, we conduct a simulation where TFP remains at FY2021 levels throughout DFA. In this case, USPS could have avoided \$14.7 billion in controllable costs over five years. In FY2025 alone, the cost savings would have been \$5.6 billion. This improvement would have turned USPS’s \$2.7 billion controllable loss in FY2025 into positive income. (Table 2)

²⁷ USPS. Annual Report to Congress, FY2025; Author’s estimates.

²⁸ USPS. Annual Report to Congress, FY2025.

Table 2. USPS could have avoided nearly \$15B in cost by maintaining historical productivity levels.²⁹

Total Factor Productivity Cost Savings Scenario

Assumptions:

TFP fixed at 25.8 (FY2021, percent change relative to baseline)

Controllable costs adjusted proportionately with productivity improvements

	FY2021	FY2022	FY2023	FY2024	FY2025	Total FY2021-25
Total Factor Productivity (Percent Change Relative to Base Year)						
Actual	25.8	24.5	19.5	19.3	17.3	Varies
Counterfactual (FY2021)			25.8			25.8
Controllable Costs (\$B)						
Actual Costs	\$79.3	\$79.1	\$81.2	\$81.8	\$83.5	\$404.9
Counterfactual Costs	\$79.3	\$78.3	\$77.1	\$77.6	\$77.9	\$390.2
Counterfactual Cost Savings	-	\$0.8	\$4.1	\$4.2	\$5.6	\$14.7

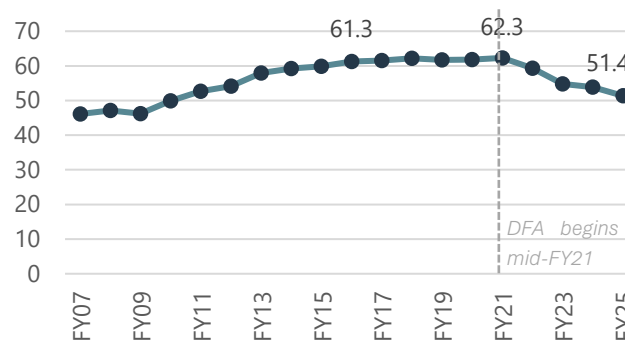
Note: Amounts may not sum due to rounding.

Labor Productivity Performance

Salaries and benefits are USPS’s largest cost component, so labor productivity is critical. Despite improvements in labor productivity before DFA, this measure has declined in recent years. Under DFA, labor productivity fell from 62.3% in FY2021 to 51.4% in FY2025. Similar to TFP, labor productivity is at its lowest in recent history. Current USPS labor productivity reflects its worst performance since FY2010. (Figure 15)

Figure 15. Labor productivity is at a 15-year low.³⁰

USPS Labor Productivity, FY2007-25, Percent Change Relative to Base Year (1971)



Datapoints labeled for FY2016, FY2021, and FY2025

Labor Productivity Cost Savings Scenario

Had USPS maintained labor productivity at its FY2021 level, it could have realized \$10.8 billion in cumulative cost savings over the period. Importantly, the magnitude of the foregone savings increases each year as the productivity gap widens, reaching more than \$4.1 billion in FY2025. Maintaining historical labor productivity would have altered USPS’s financial trajectory by turning controllable losses to positive income from FY2023 to FY2025, further underscoring that cost containment, driven by operational efficiency, is key to achieving financial stability. (Table 3)

²⁹ USPS. Annual Report to Congress, FY2025; USPS Preliminary Monthly Financials, FY2016-25; Author’s estimates.

³⁰ USPS. Annual Report to Congress.

Table 3. USPS could have saved nearly \$11B in labor costs by maintaining FY2021 labor productivity.³¹

Labor Productivity Cost Savings Scenario

Assumptions:

Labor productivity fixed at 62.3 (FY2021, percent change relative to baseline)

Controllable costs adjusted proportionately with productivity improvements

	FY2021	FY2022	FY2023	FY2024	FY2025	Total FY2021-25
Labor Productivity (Percent Change Relative to Base Year)						
Actual	62.3	59.3	54.8	53.9	51.4	Varies
Counterfactual (FY2021)	62.3					62.3
Salaries & Benefits Costs (\$B)						
Actual Salaries & Benefit Costs	\$54.0	\$55.9	\$57.6	\$58.9	\$60.5	\$286.9
Counterfactual Costs	\$54.0	\$54.8	\$54.9	\$55.8	\$56.5	\$276.1
Counterfactual Cost Savings	-	\$1.0	\$2.7	\$3.0	\$4.1	\$10.8

Note: Amounts may not sum due to rounding.

Scenario Analysis: USPS Petition to Break Even with Added Rate Authority

In December 2025, USPS petitioned the Postal Regulatory Commission (PRC) to modify the market-dominant ratemaking system to obtain additional pricing authority aimed at improving financial stability. Various rate increases have been discussed as a means of enabling the Postal Service to break even. This section examines the risks associated with those proposals, particularly if price sensitivity is understated. Indeed, if demand is more elastic, larger rate increases will accelerate volume declines and undermine revenue. Our analysis models several scenarios and demonstrates that expanded pricing authority is unlikely to restore financial balance. Long-term stability will require cost control.

USPS should use caution when relying on its elasticities to make rate determinations.

The Postal Service’s revenue forecasts depend critically on how sensitive customers are to price, which is captured in elasticity estimates. According to USPS estimates, most market-dominant products are inelastic. However, the elasticities for individual products can range widely, as USPS often modifies its demand equations year-over-year.

Price Elasticities Vary, Even Within USPS Models

USPS must exercise caution when using its demand model for significant rate decisions. Mailers may be more sensitive to price than their elasticities suggest; this can greatly change projected revenue outcomes over time. For example, ndp analytics found some marketing mail categories exhibited elasticities around -2 with minor changes to the USPS models.³² Similarly, research on advertising mail in the United Kingdom estimated the elasticity for this type of mail to be -2.³³ (Table 4)

³¹ USPS. *Annual Report to Congress, FY2025*; USPS Preliminary Monthly Financials, FY2016-25; Author’s estimates.

³² Pham et al. 2024. *Critique of USPS elasticities*. ndp analytics.

³³ Fève et al. 2020. *Demand Elasticities at the Intensive and Extensive Margins for Advertising Mail Traffic in the UK*.

Table 4. USPS and third-party estimates of commercial mail elasticities vary widely.³⁴

Published Elasticities for Commercial Marketing Mail

	USPS Elasticities, Jan 2022-26			Third-Party Elasticities
	Least Price Sensitive (Most Inelastic)	Most Price Sensitive (Most Elastic)	Average Elasticity	
Letters	(0.04)	(0.22)	(0.10)	(2.52)
High-Density/Saturation Letters	(0.23)	(0.56)	(0.41)	(0.45)
Flats & Basic Carrier Route	(0.00)	(0.03)	(0.01)	(1.90)
High-Density/Saturation Flats	(0.09)	(0.43)	(0.30)	(1.39)
Every Door Direct Mail	(0.00)	(0.36)	(0.16)	(0.31)

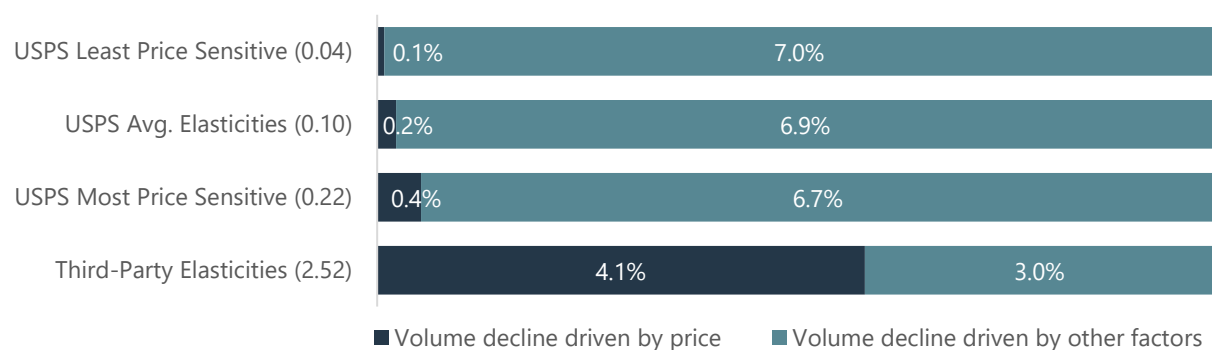
Elasticities Impact Interpretations of Volume Declines

Elasticities help explain volume declines, but uncertainty in the estimates creates modeling risks. In January 2026, USPS projected that commercial letter revenue per piece would rise 1.64% from FY2025 to FY2026 while volume would fall 7.1%. We illustrate how different elasticities would interpret this decline by separating the loss attributable to price from other factors (i.e., the loss that would occur regardless of price). Under USPS’s elasticities (–0.22 to –0.04), price explains only about 0.1 to 0.4 percentage points of the decline, with nearly all losses attributed to non-price factors such as electronic diversion and broader economic trends. Under a third-party elasticity (–2.52), price explains 4.1 percentage points of the decline, making it the dominant driver, with 3 percentage points attributable to other factors. The wide spread highlights how sensitive projected outcomes are to the assumed elasticity (Figure 16).

If demand is more price-responsive, rate increases will drive larger volume losses, weakening revenue and reducing network utilization. This makes a rate-led path to financial stability problematic: because USPS operates a high fixed-cost network, volume declines do not produce proportional cost savings. If price hikes cause sharper-than-expected volume drops, unit costs rise and can necessitate further increases—creating a self-reinforcing cycle that intensifies, rather than resolves, financial pressure.

Figure 16. Volume declines are driven by price and non-price factors.³⁵

Expected Contributions to a 7.1% Decline in Commercial Letter Volume



³⁴ USPS Market Dominant Demand Equations, January 2022-26; Pham et al. (2024).

³⁵ USPS Market Dominant Demand Equations, January 2022-26; Pham et al. (2024).

USPS cannot break even by relying on rate increases; it must contain costs.

We created scenarios, each evaluated with a range of elasticity estimates and implementation strategies, to examine the Postal Service’s ability to break even through additional rate authority, without addressing rising costs. For comparison, we created a cost reduction scenario, where USPS cuts costs and maintains CPI rate increases on Market Dominant mail. Overall, we find that USPS cannot reach financial stability by raising rates; it must also control costs.

Scenario Assumptions

We created three scenarios to evaluate the validity of the USPS request for additional rate authority to achieve financial stability. In each one, we model volume, revenue, and controllable income under a set of elasticity assumptions and rate implementation strategies. Two scenarios focus exclusively on maximizing revenue generation. In the third scenario, rates only increase as much as CPI, and USPS reduces controllable costs by 2% each year. In each case, we apply four elasticity estimates to test the outcomes under different price sensitivity assumptions. (Table 5)

Table 5. Our scenarios vary in the level of new rate authority and two implementation strategies.³⁶
Rate Authority & Implementation Strategies for Each Scenario

	Revenue Generation Approaches		Cost Containment
	Scenario 1	Scenario 2	Scenario 3
New Rate Authority (Percentage Points)	23	12	0
Additional Annual Rate Authority	CPI-U (See note below)		
Two Implementation Strategies	100% of new authority used in first year New authority spread over five years		
Four Elasticity Estimates	3 USPS elasticity estimates (low, average, and high) and a set of third-party elasticities		

Note: The CPI-U projection is from the Congressional Budget Office Economic Projections (Feb. 2026). For this period, year over year changes in CPI are forecasted to be 2.6% (FY2027), 2.4% (FY2028) and 2.3% (FY2029-31). This analysis does not incorporate the current rate adjustment authorities (e.g., the density and non-compensatory class adjustments) or any banked authority. These factors are determined through separate, case-specific PRC calculations and are not readily forecast with the same transparency and regularity as CPI. Projecting them would require substantial assumptions, and because the new rate authority modeled here is already unprecedented, historical adjustment factors may be a poor guide to future levels. As a result, projected prices, and associated volume impacts, may be conservative if these additional authorities are available and exercised.

Using USPS’s published projections as a baseline, we divide expected volume declines into price-driven and non-price components (see commercial mail example in Figure 16). We then estimate incremental volume effects under higher rate increases using both USPS and third-party elasticity estimates. Projected volumes are combined with estimated revenue-per-piece to calculate total revenue, which is then incorporated into a financial model of controllable income. Key parameters and assumptions used in our analysis are outlined

³⁶ In our writing, we round the increase in rate authority to 23 percentage points for Scenario 1. The unrounded value used in our calculations is 22.974. This is the amount USPS requested on Feb. 4, 2026 in a supplemental filing to its Dec. 22, 2025 petition to modify the market-dominant ratemaking system.

below; the detailed methodology is in the Appendix. (Table 6)

Table 6. Our scenario assumptions are primarily based on published forecasts and historical data.³⁷

Income Calculations: Key Assumptions & Approaches

Element	Assumptions/Approaches
Market Dominant Revenue	Revenue per piece is multiplied by volume; Calculated for 38 individual mail products using USPS forecasts and the conditions outlined in Table 5.
Competitive Package Revenue	\$37.2 B in FY2026 + 0.5% increase per year. ³⁸
Controllable Costs	\$85.6B in FY2026 + 1.5% increase per year for revenue generation scenarios. ³⁹ \$85.6B in FY2026 + 2.0% decrease per year for the cost containment scenario.
Total Costs	Controllable costs are 93% of total costs (\$91.9B in FY2026).

Base Year Assumptions:

USPS FY2026 Integrated Financial Plan

	FY2026
Market Dominant Volume	96.4B
Market Dominant Revenue	\$46.6B
Total Volume	101.5B
Total Revenue	\$83.8B
Controllable Income	-\$1.8B
Net Income	-\$8.1B

Pace of Market Dominant Rate Increases

USPS Implementation of New Authority: Up Front & Over Time

	Full Authority in Year 1	Authority Used Over 5 Years	
		FY2027	FY2028-31
First-Class Mail	All new authority captured in FY2027	8%	CAGR calculated for remaining authority in each scenario
Marketing Mail		6%	
Periodicals		12%	
Package Svs.		10%	
Special Svs.		8%	
Total Mail		7.4%	

Summarized results of the scenario analysis.

In most cases, rate increases do not restore the financial balance of USPS. When full rate authority is captured upfront, outcomes vary substantially depending on price sensitivity. Under USPS elasticity assumptions, however, even a sizable 23 percentage point increase in new rate authority fails to eliminate cumulative losses in most cases. Only in the least price-sensitive scenario does a large increase approach break-even. Under the third-party elasticities, the CPI-only scenario with annual cost reductions produces a positive cumulative outcome, while large rate increases generate substantively worse results due to stronger price-driven volume declines.

Spreading rate authority over five years produces broadly similar conclusions. Losses remain significant across most combinations of elasticity assumptions and rate magnitudes. Larger rate increases continue to deepen cumulative losses under more price-responsive assumptions, while modest increases do not

³⁷ FY2026 USPS volume, revenue, and cost projections are from USPS volume forecasts and the FY2026 Integrated Financial Plans; CPI projections are from CBO Economic Projections as of February 2026.

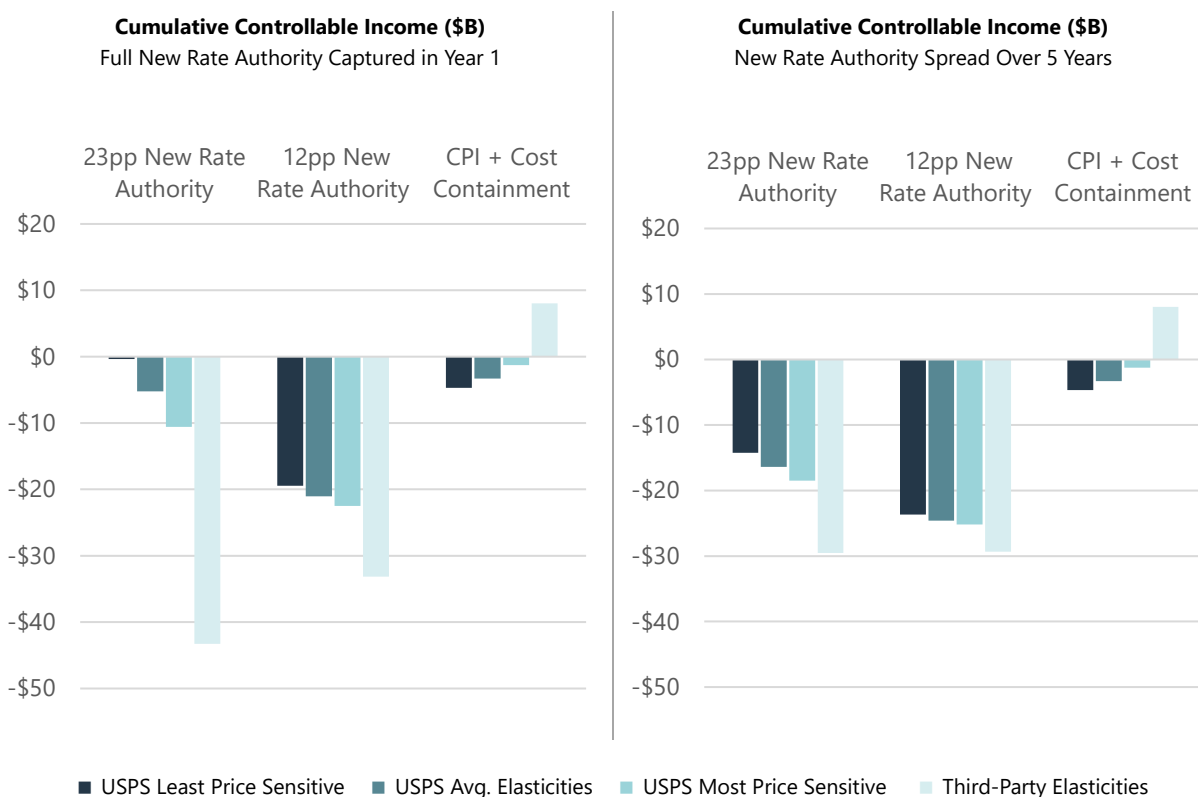
³⁸ This assumption is roughly halfway between current and historical performance (as of January, year-to-date Competitive package revenue in FY2026 was 0.4% behind the same period last year; During FY2022-25, CAGR for this category was 0.95%).

³⁹ This assumption is more optimistic than current performance and in line with historical performance (as of January, year-to-date FY2026 operational costs were 3.7% higher than last year; During FY2022-25, controllable costs CAGR was 1.44%).

generate sufficient revenue to offset projected cost growth. Across both timing strategies, the only consistently improving scenario is the one that pairs moderate pricing with sustained cost reductions. These findings confirm that expanded pricing authority, regardless of magnitude or implementation strategy, is not sufficient on its own to restore financial stability. Durable improvement depends more on cost containment and productivity gains than on additional rate increases. (Figure 17)

Figure 17. USPS cannot break even with rate increases.

Cumulative Controllable Income for All Scenarios, FY2027-31



Revenue Generation Scenario: 23 percentage point increase in rate authority.

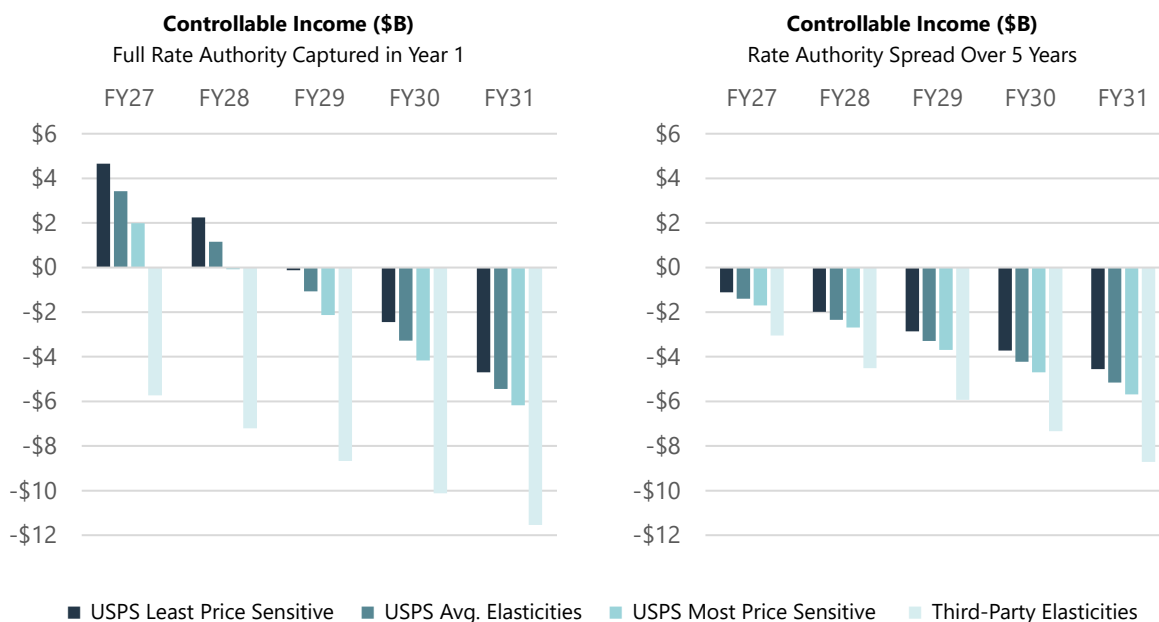
A 23 percentage point increase in rate authority produces cumulative losses in all scenarios, regardless of whether the full authority is implemented upfront or phased in over five years. When the full rate authority is captured in the first year, only the least price-sensitive scenario controllable income nears the break-even point, with a \$0.4 billion loss over FY2027-31. In the other cases, cumulative losses range from \$5.2 billion using the average USPS elasticities to a \$43.3 billion loss under more elastic third-party estimates.

Spreading the rate increases over five years smooths the annual impact but does not change the outcome. Cumulative losses persist across all elasticity assumptions, ranging from \$14.2 billion under the most inelastic USPS estimates (least sensitive) to \$29.5 billion under third-party estimates. Using USPS published elasticities, losses are larger when the rate increase is phased in over time; under the third-party elasticities, the opposite occurs. This difference stems from the USPS assumption that most volume decline is driven

by non-price factors. As a result, projected volume losses remain substantial regardless of whether rate increases are front-loaded or spread out, limiting the revenue benefit of a gradual approach. Consequently, under USPS's elasticities, positive controllable income is not achieved when the rate increase is phased in. Still, under either implementation strategy, a 23 percentage point increase in rate authority for Market Dominant products is risky and insufficient to offset growing controllable costs. (Figure 18)

Figure 18. Even with USPS elasticities, annual losses emerge under a steep rate increase.

Controllable Income Scenario: 23.0pp Increase in Rate Authority on Market Dominant Products Plus CPI



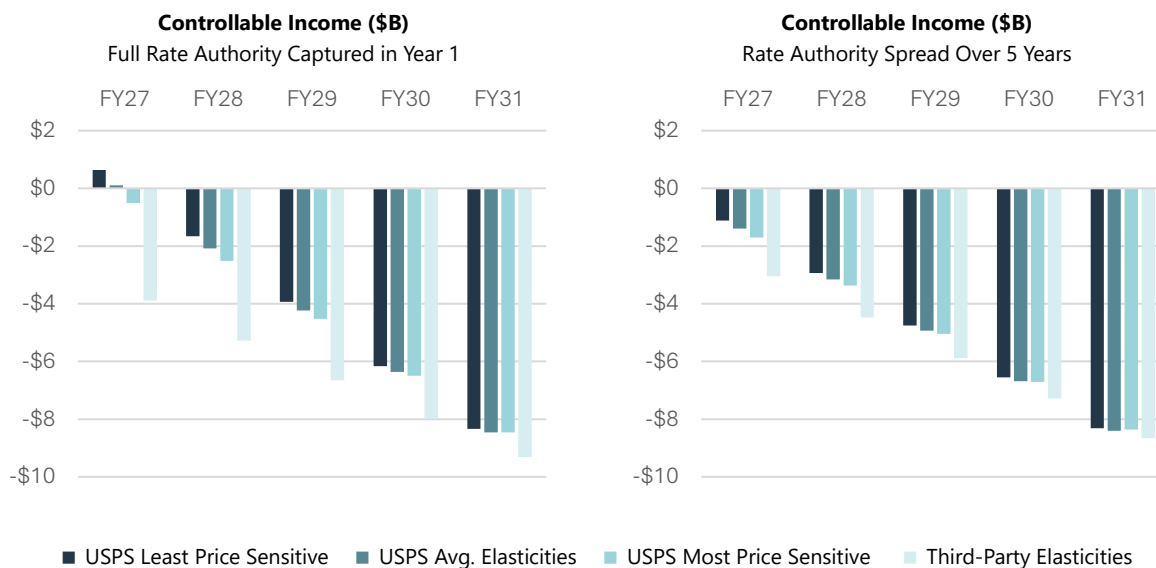
Total, FY2027-31	USPS Price Sensitivity			Third-party Elasticities
	Least	Average	Most	
Full Rate Authority Captured in Yr 1	-\$0.4B	-\$5.2B	-\$10.6B	-\$43.3B
Rate Authority Spread Over 5 Yrs	-\$14.2B	-\$16.4B	-\$18.5B	-\$29.5B

Revenue Generation Scenario: 12 percentage point increase in rate authority.

A 12 percentage point increase in USPS rate authority (just over half of the 23-point increase) is insufficient to offset projected cost growth under any elasticity assumption. While controllable losses, in some cases, are less severe than the higher authority scenario, the fundamental conclusion remains unchanged: pricing adjustments cannot close the structural gap between revenue and expenses. Under this scenario, controllable income remains negative across all elasticity assumptions and in nearly every year modeled. When the full rate authority is captured up front, cumulative controllable losses range from \$19.5 billion (USPS least price sensitive) to \$33.1 billion (third-party elasticities). Spreading the rate increase over five years yields more negative results, with cumulative losses ranging from \$23.7 billion (USPS least price sensitive) to \$29.4 billion (third-party elasticities). (Figure 19)

Figure 19. An additional 12pp of rate authority is expected to result in losses in all cases.

Controllable Income Scenario: 12pp Increase in Rate Authority on Market Dominant Products Plus CPI



Total, FY2027-31	USPS Price Sensitivity			Third-party Elasticities
	Least	Average	Most	
Full Rate Authority Captured in Yr 1	-\$19.5B	-\$21.0B	-\$22.5B	-\$33.1B
Rate Authority Spread Over 5 Yrs	-\$23.7B	-\$24.6B	-\$25.2B	-\$29.4B

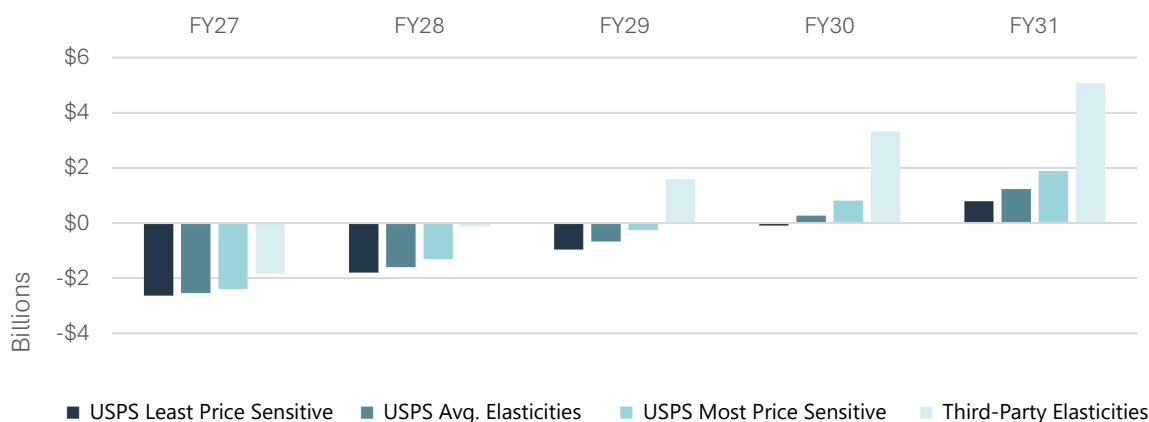
Cost Containment Scenario

Unlike the scenarios that rely on increased rate authority, this case demonstrates that cost containment materially improves the trajectory of the Postal Service. Pairing modest, predictable pricing with consistent cost reductions produces more durable improvement and offers a more reliable path to break-even financial performance.

In this scenario, with 2% annual cost reductions and CPI-only rate increases, controllable income generates \$8.0 billion over FY2027-31 using the third-party assumptions. The USPS elasticity assumptions produce more modest outcomes that improve over time. The most price-sensitive USPS elasticities nearly break even, with a loss of \$1.2 billion. The average and least sensitive USPS elasticities produce cumulative losses of \$3.3 billion and \$4.7 billion, respectively. However, even in these latter cases, annual controllable income improves each year, approaching or reaching positive territory by FY2030 or FY2031. As a result, the financial trajectory is more sound. (Figure 20)

Figure 20. Reductions in controllable costs with CPI rate increases achieve positive results.

Controllable Income Scenario: CPI-Only Rate Increases and 2% Reductions in Costs Annually



	USPS Price Sensitivity			Third-party Elasticities
	Least	Average	Most	
Total, FY2027-31	-\$4.7B	-\$3.3B	-\$1.2B	\$8.0B

Conclusion

USPS’s financial challenges are fundamentally driven by rising costs and declining productivity, not insufficient pricing authority. Under *Delivering for America*, revenue has exceeded projections, but controllable costs, particularly labor costs, have grown substantially more than anticipated. Productivity has deteriorated, and the Postal Service has not achieved sustained positive controllable income. Scenario analysis shows that expanded rate authority, even at elevated levels, does not restore financial balance and, under more price-responsive assumptions, can worsen outcomes.

Long-term financial stability will depend on restoring productivity growth and controlling costs. While pricing flexibility may provide temporary relief, durable improvement requires a multi-year plan centered on operational discipline, cost containment, workforce resizing primarily through attrition and targeted hiring, and measurable efficiency gains across the network. Implementing such changes may entail short-term transition challenges and delayed realization of benefits, but the fiscal improvements compound over time if execution is sustained. Without addressing these structural drivers USPS cannot resolve its financial imbalance.

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Appendix 1. Methodology for Estimating the Impact of Rate Increases

This appendix describes the analytical framework used to project Market Dominant volume, revenue, and income under several rate and cost scenarios. This analysis is designed as a policy stress test of USPS's request for expanded rate authority, not a precise point forecast. The scenarios use USPS's FY2026 baseline projections and product-level demand equations to test whether large, sustained price increases can plausibly restore financial balance under a range of demand and cost conditions.

Overall design

This study evaluates whether granting USPS additional rate authority would enable the Postal Service to achieve financial stability. We model three scenarios:

1. 22.974 percentage point increase in rate authority, plus annual CPI increases.
2. 12 percentage point increase in rate authority, plus annual CPI increases.
3. CPI-only rate increases, paired with 2% annual reductions in controllable costs ("cost containment scenario").

For each scenario, we evaluate two implementation strategies:

1. Front-loaded: 100% of new rate authority is captured in the first year.
2. Phased: new rate authority is spread over five years.

Each strategy is evaluated across multiple elasticity assumptions to test sensitivity to both demand responsiveness and pricing strategy.

Elasticity inputs

Because price responsiveness is uncertain and materially affects projected outcomes, we model multiple elasticity cases. Elasticities used in the analysis are drawn from the following sources (see Table A1 for First-Class and Marketing Mail inputs):

1. USPS elasticities (January 2022–January 2026): We aggregate USPS's published market-dominant elasticities over the last five years and select three values for each applicable product:
 - a. Most inelastic (least price-sensitive).
 - b. Most elastic (most price-sensitive).
 - c. Average elasticity, calculated from the five-year data series.
2. Third-party elasticities: We apply third-party estimates derived by ndp analytics, which are based on modifications to USPS demand equations. These elasticities are applied to First-Class and Marketing Mail, which comprise most Market Dominant volume. For remaining Market Dominant products not covered by the third-party estimates, we apply the most elastic USPS assumption from the USPS demand equations.

Baseline volume and revenue

The analysis begins with USPS's FY2026 projections from the FY2026 Integrated Financial Plan and the January 2026 Market Dominant Demand Equations, which provide product-level forecasts (volume and revenue per piece) across 38 Market Dominant products. We treat FY2026 projected volume and revenue per piece as the baseline and calculate implied changes relative to FY2025.

Decomposing projected volume decline (price vs. non-price)

We decompose USPS's projected volume decline into two components:

1. Baseline trends: For each product, we calculate CAGR for volume and revenue per piece over FY2021-26.
2. Price-driven decline: Using product-level elasticities and observed average annual rate increases (revenue-per-piece changes), we estimate the portion of projected volume decline attributable to price.
3. Non-price decline: We attribute the residual between USPS's total projected decline and the price-driven component to non-price factors (e.g., digital substitution, macroeconomic conditions). This non-price component is carried forward as the structural baseline.

Estimating additional volume decline under alternative pricing scenarios

To model alternative rate scenarios (23pp, 12pp, and CPI-only), we calculate incremental price-driven volume effects using the elasticity assumptions above. For each product, scenario, and implementation strategy:

1. Estimate the additional price-driven volume change associated with the scenario's price path.
2. Add this incremental price effect to the baseline non-price volume decline.
3. Sum to obtain total projected volume under each scenario.

This approach isolates the marginal impact of pricing while holding the non-price (structural) volume trajectory constant.

Estimating Market Dominant revenue

For each scenario and implementation strategy, revenue per piece reflects the assumed rate path:

1. Implementation schedules:
 - a. Front-loaded: full new authority is applied in year one.
 - b. Phased: the first-year increase follows USPS's stated first-year maximum increase by major product category, with remaining authority distributed over FY2028-31 using a CAGR-based approach.
2. CPI assumptions: Because new authority is assumed to be additive to CPI adjustments, we use CPI-U forecasts for FY2027-31 from the Congressional Budget Office Economic Projections (February 2026).

3. For each year, we combine CPI and any additional authority to compute the total rate increase, apply it to product-level revenue per piece (using FY2025 as the base), and calculate product-level revenue.
4. We compute total Market Dominant revenue by multiplying product-level revenue per piece by product-level volume and aggregating across products.

Projecting overall income

We calculate:

1. Controllable income = total revenue – controllable costs.
2. Net income = total revenue – total costs.

Assumptions:

1. Total revenue: We add Competitive package revenue to Market Dominant revenue. Competitive package revenue is assumed to be \$37.2B in FY2026 (USPS FY2026 IFP) and to grow 0.5% annually (midpoint between FY2026 year-to-date performance and recent historical growth).
2. Controllable costs:
 - a. The Revenue generation scenarios assume 1.5% annual controllable cost growth.
 - b. The cost containment scenario assumes 2% annual declines in controllable costs.
3. Total costs: USPS projects controllable costs are 93% of total costs; we hold this ratio constant across years.

Table A1. Elasticity estimates for First-Class and Marketing Mail⁴⁰

		USPS Elasticities January 2022-26			Third-Party Elasticities
		Most Inelastic	Most Elastic	Average	
First-Class	Stamped Letters	(0.00)	(0.20)	(0.06)	(0.35)
	Metered Letters	(0.22)	(0.44)	(0.30)	(0.35)
	Single-Piece Cards	(0.10)	(0.45)	(0.35)	(0.51)
	Single-Piece Flats	(0.05)	(0.34)	(0.21)	(0.46)
	Workshare Letters	(0.17)	(0.40)	(0.30)	(0.50)
	Workshare Cards	(0.47)	(0.68)	(0.58)	(0.59)
	Workshare Flats	(0.12)	(0.40)	(0.21)	(0.05)
Commercial	Letters	(0.04)	(0.22)	(0.10)	(2.52)
	High-Density/Saturation Letters	(0.23)	(0.56)	(0.41)	(0.45)
	Flats & Basic Carrier Route	(0.00)	(0.03)	(0.01)	(1.90)
	High-Density/Saturation Flats	(0.09)	(0.43)	(0.30)	(1.39)
	Every Door Direct Mail (EDDM)	(0.00)	(0.36)	(0.16)	(0.31)
Nonprofit	Letters	(0.17)	(0.31)	(0.26)	(0.56)
	High-Density/Saturation Letters	(0.42)	(0.68)	(0.53)	(2.55)
	Flats & Basic Carrier Route	(0.38)	(0.49)	(0.44)	(0.63)
	High-Density/Saturation Flats	(0.00)	(0.75)	(0.41)	(1.69)

⁴⁰ USPS Market Dominant Demand Equations, January 2022-26; Pham et al. 2024. "Critique of USPS elasticities." ndp analytics.

Appendix 2. Detailed Tables for Scenarios

Scenario 1A. Market Dominant Volume and Anticipated Financials (Billions)

Assumptions:

- 23 Percentage Point Increase in Rate Authority
- Full Amount of New Authority Used in First Year
- First Year Rate Increase 23pp + CPI, All Other Years CPI-Only

	Market Dominant Volume	Market Dominant Revenue	Total Revenue	Controllable Income (Loss)	Net Income (Loss)
FY26	96.40	\$46.60	\$83.81	-\$1.79	-\$8.09
USPS Least Price Sensitive					
FY27	89.63	\$54.13	\$91.53	\$4.65	-\$1.75
FY28	85.97	\$52.85	\$90.44	\$2.25	-\$4.24
FY29	82.55	\$51.62	\$89.39	-\$0.12	-\$6.70
FY30	79.33	\$50.45	\$88.42	-\$2.44	-\$9.12
FY31	76.30	\$49.36	\$87.51	-\$4.70	-\$11.49
Total	413.79	\$258.42	\$447.29	-\$0.36	-\$33.30
USPS Avg. Elasticities					
FY27	87.51	\$52.91	\$90.30	\$3.42	-\$2.97
FY28	84.09	\$51.77	\$89.35	\$1.16	-\$5.33
FY29	80.88	\$50.66	\$88.44	-\$1.07	-\$7.66
FY30	77.86	\$49.61	\$87.57	-\$3.28	-\$9.97
FY31	74.99	\$48.62	\$86.78	-\$5.44	-\$12.23
Total	405.33	\$253.57	\$442.44	-\$5.21	-\$38.15
USPS Most Price Sensitive					
FY27	85.11	\$51.47	\$88.87	\$1.99	-\$4.41
FY28	81.98	\$50.52	\$88.11	-\$0.08	-\$6.57
FY29	79.04	\$49.60	\$87.38	-\$2.13	-\$8.72
FY30	76.25	\$48.72	\$86.69	-\$4.17	-\$10.85
FY31	73.61	\$47.89	\$86.04	-\$6.17	-\$12.96
Total	395.99	\$248.21	\$437.08	-\$10.56	-\$43.51
Third-Party Elasticities					
FY27	67.91	\$43.75	\$81.15	-\$5.73	-\$12.13
FY28	66.14	\$43.39	\$80.98	-\$7.21	-\$13.70
FY29	64.51	\$43.06	\$80.84	-\$8.67	-\$15.26
FY30	62.99	\$42.77	\$80.74	-\$10.12	-\$16.80
FY31	61.55	\$42.53	\$80.68	-\$11.54	-\$18.32
Total	323.11	\$215.51	\$404.38	-\$43.27	-\$76.21

Scenario 1B.
Market Dominant Volume and Anticipated Financials (Billions)

Assumptions:

- 23 Percentage Point Increase in Rate Authority
- Full Amount of New Authority Divided Over 5 Years
- First Year Rate Avg. Increase 7.4% + CPI

Billions	Market Dominant Volume	Market Dominant Revenue	Total Revenue	Controllable Income (Loss)	Net Income (Loss)
FY26	96.40	\$46.60	\$83.81	-\$1.79	-\$8.09
USPS Least Price Sensitive					
FY27	91.51	\$48.37	\$85.77	-\$1.11	-\$7.51
FY28	87.39	\$48.62	\$86.20	-\$1.99	-\$8.48
FY29	83.54	\$48.87	\$86.65	-\$2.86	-\$9.45
FY30	79.93	\$49.17	\$87.13	-\$3.72	-\$10.41
FY31	76.53	\$49.51	\$87.66	-\$4.56	-\$11.34
Total	418.89	\$244.54	\$433.41	-\$14.24	-\$47.19
USPS Avg. Elasticities					
FY27	90.96	\$48.09	\$85.49	-\$1.40	-\$7.79
FY28	86.70	\$48.26	\$85.85	-\$2.34	-\$8.83
FY29	82.72	\$48.45	\$86.22	-\$3.29	-\$9.88
FY30	78.97	\$48.66	\$86.62	-\$4.23	-\$10.92
FY31	75.44	\$48.91	\$87.06	-\$5.15	-\$11.94
Total	414.79	\$242.38	\$431.25	-\$16.40	-\$49.35
USPS Most Price Sensitive					
FY27	90.37	\$47.78	\$85.18	-\$1.70	-\$8.10
FY28	85.98	\$47.91	\$85.49	-\$2.69	-\$9.18
FY29	81.86	\$48.04	\$85.81	-\$3.70	-\$10.28
FY30	77.99	\$48.19	\$86.15	-\$4.70	-\$11.39
FY31	74.34	\$48.37	\$86.52	-\$5.69	-\$12.48
Total	410.54	\$240.30	\$429.17	-\$18.48	-\$51.43
Third-Party Elasticities					
FY27	86.65	\$46.44	\$83.83	-\$3.05	-\$9.44
FY28	81.03	\$46.10	\$83.68	-\$4.50	-\$10.99
FY29	75.94	\$45.81	\$83.58	-\$5.93	-\$12.52
FY30	71.28	\$45.56	\$83.52	-\$7.33	-\$14.02
FY31	66.97	\$45.36	\$83.51	-\$8.71	-\$15.49
Total	381.88	\$229.25	\$418.13	-\$29.52	-\$62.47

Scenario 2A.
Market Dominant Volume and Anticipated Financials (Billions)

Assumptions:

- 12 Percentage Point Increase in Rate Authority
- Full Amount of New Authority Used in First Year
- First Year Rate Increase 12pp + CPI

	Market Dominant Volume	Market Dominant Revenue	Total Revenue	Controllable Income (Loss)	Net Income (Loss)
FY26	96.40	\$46.60	\$83.81	-\$1.79	-\$8.09
USPS Least Price Sensitive					
FY27	90.93	\$50.12	\$87.52	\$0.63	-\$5.76
FY28	87.23	\$48.94	\$86.53	-\$1.66	-\$8.15
FY29	83.77	\$47.81	\$85.58	-\$3.93	-\$10.52
FY30	80.51	\$46.73	\$84.69	-\$6.16	-\$12.85
FY31	77.44	\$45.72	\$83.87	-\$8.34	-\$15.13
Total	419.88	\$239.31	\$428.19	-\$19.46	-\$52.41
USPS Avg. Elasticities					
FY27	89.90	\$49.58	\$86.98	\$0.10	-\$6.30
FY28	86.40	\$48.52	\$86.11	-\$2.08	-\$8.57
FY29	83.11	\$47.50	\$85.27	-\$4.24	-\$10.83
FY30	80.01	\$46.52	\$84.48	-\$6.37	-\$13.06
FY31	77.08	\$45.60	\$83.75	-\$8.46	-\$15.25
Total	416.51	\$237.73	\$426.60	-\$21.05	-\$53.99
USPS Most Price Sensitive					
FY27	88.75	\$48.98	\$86.38	-\$0.51	-\$6.90
FY28	85.50	\$48.09	\$85.67	-\$2.52	-\$9.01
FY29	82.44	\$47.22	\$84.99	-\$4.52	-\$11.10
FY30	79.54	\$46.39	\$84.35	-\$6.50	-\$13.19
FY31	76.79	\$45.61	\$83.76	-\$8.46	-\$15.24
Total	413.03	\$236.28	\$425.15	-\$22.50	-\$55.44
Third-Party Elasticities					
FY27	80.31	\$45.60	\$83.00	-\$3.89	-\$10.28
FY28	78.37	\$45.32	\$82.91	-\$5.28	-\$11.77
FY29	76.60	\$45.09	\$82.86	-\$6.65	-\$13.24
FY30	74.96	\$44.89	\$82.86	-\$8.00	-\$14.68
FY31	73.41	\$44.75	\$82.90	-\$9.31	-\$16.10
Total	383.65	\$225.65	\$414.52	-\$33.13	-\$66.07

Scenario 2B.
Market Dominant Volume and Anticipated Financials (Billions)

Assumptions:

- 12 Percentage Point Increase in Rate Authority
- Full Amount of New Authority Divided Over 5 Years
- First Year Avg. Rate Increase 7.4% + CPI

	Market Dominant Volume	Market Dominant Revenue	Total Revenue	Controllable Income (Loss)	Net Income (Loss)
FY26	96.40	\$46.60	\$83.81	-\$1.79	-\$8.09
USPS Least Price Sensitive					
FY27	91.51	\$48.37	\$85.77	-\$1.11	-\$7.51
FY28	87.66	\$47.66	\$85.25	-\$2.94	-\$9.43
FY29	84.06	\$46.98	\$84.75	-\$4.76	-\$11.34
FY30	80.68	\$46.34	\$84.30	-\$6.55	-\$13.24
FY31	77.49	\$45.75	\$83.90	-\$8.31	-\$15.10
Total	421.39	\$235.11	\$423.98	-\$23.67	-\$56.61
USPS Avg. Elasticities					
FY27	90.96	\$48.09	\$85.49	-\$1.40	-\$7.79
FY28	87.19	\$47.44	\$85.02	-\$3.16	-\$9.65
FY29	83.66	\$46.81	\$84.58	-\$4.93	-\$11.52
FY30	80.33	\$46.21	\$84.17	-\$6.68	-\$13.37
FY31	77.18	\$45.66	\$83.81	-\$8.40	-\$15.19
Total	419.32	\$234.21	\$423.08	-\$24.57	-\$57.52
USPS Most Price Sensitive					
FY27	90.37	\$47.78	\$85.18	-\$1.70	-\$8.10
FY28	86.72	\$47.23	\$84.82	-\$3.37	-\$9.86
FY29	83.28	\$46.69	\$84.47	-\$5.04	-\$11.63
FY30	80.03	\$46.18	\$84.14	-\$6.71	-\$13.40
FY31	76.95	\$45.70	\$83.85	-\$8.36	-\$15.15
Total	417.36	\$233.59	\$422.46	-\$25.19	-\$58.14
Third-Party Elasticities					
FY27	86.65	\$46.44	\$83.83	-\$3.05	-\$9.44
FY28	83.38	\$46.12	\$83.71	-\$4.48	-\$10.97
FY29	80.35	\$45.85	\$83.62	-\$5.89	-\$12.48
FY30	77.50	\$45.61	\$83.57	-\$7.28	-\$13.97
FY31	74.81	\$45.41	\$83.56	-\$8.66	-\$15.44
Total	402.69	\$229.42	\$418.29	-\$29.36	-\$62.30

**Scenario 3.
Cost Reduction Approach (Billions)**

Assumptions:

- No Increase in Rate Authority
- All Rate Increases CPI-Only
- 2% Annual Reductions in Costs

	Market Dominant Volume	Market Dominant Revenue	Total Revenue	Controllable Income (Loss)	Net Income (Loss)
FY26	96.40	\$46.60	\$83.81	-\$1.79	-\$8.09
USPS Least Price Sensitive					
FY27	92.36	\$45.57	\$82.97	-\$2.63	-\$8.93
FY28	88.61	\$44.51	\$82.09	-\$1.80	-\$7.97
FY29	85.10	\$43.48	\$81.25	-\$0.96	-\$7.01
FY30	81.79	\$42.51	\$80.47	-\$0.10	-\$6.02
FY31	78.68	\$41.60	\$79.75	\$0.79	-\$5.02
Total	426.54	\$217.66	\$406.53	-\$4.69	-\$34.95
USPS Avg. Elasticities					
FY27	92.52	\$45.67	\$83.06	-\$2.54	-\$8.84
FY28	88.93	\$44.70	\$82.28	-\$1.60	-\$7.78
FY29	85.55	\$43.76	\$81.54	-\$0.67	-\$6.72
FY30	82.37	\$42.87	\$80.83	\$0.27	-\$5.66
FY31	79.36	\$42.03	\$80.18	\$1.23	-\$4.58
Total	428.73	\$219.03	\$407.90	-\$3.32	-\$33.58
USPS Most Price Sensitive					
FY27	92.73	\$45.81	\$83.21	-\$2.39	-\$8.69
FY28	89.35	\$44.99	\$82.57	-\$1.32	-\$7.49
FY29	86.16	\$44.19	\$81.96	-\$0.25	-\$6.30
FY30	83.14	\$43.42	\$81.38	\$0.82	-\$5.11
FY31	80.27	\$42.69	\$80.85	\$1.89	-\$3.92
Total	431.65	\$221.10	\$409.97	-\$1.25	-\$31.51
Third-Party Elasticities					
FY27	93.86	\$46.37	\$83.77	-\$1.83	-\$8.13
FY28	91.74	\$46.18	\$83.76	-\$0.12	-\$6.30
FY29	89.82	\$46.03	\$83.80	\$1.59	-\$4.46
FY30	88.05	\$45.93	\$83.89	\$3.33	-\$2.60
FY31	86.38	\$45.88	\$84.03	\$5.08	-\$0.73
Total	449.85	\$230.39	\$419.26	\$8.04	-\$22.22

About This Report

In February 2026, the Envelope Manufacturers Association Foundation (EMAF) and the Association for Postal Commerce (PostCom) commissioned Elevated Insights Group to analyze the financial effects of the U.S. Postal Service's Delivering for America plan and USPS's proposal to the Postal Regulatory Commission (PRC) for expanded rate authority.

Elevated Insights Group

Elevated Insights Group is an independent research firm that helps organizations produce high-impact analysis and communicate findings clearly. With more than 15 years of experience in policy and industry research, EIG delivers data-driven insights on public policy, regulation, and business strategy. In addition to the postal ecosystem, EIG supports clients across industries, including finance, manufacturing, retail, supply chain, and technology.

EMA Foundation

The EMA Foundation for Paper-Based Communications advances the paper-based communications industry by supporting research and education that benefit envelope manufacturers and the customers they serve.

Association for Postal Commerce (PostCom)

PostCom is a national association of businesses and organizations that use mail or support mail as a channel for business communication and commerce. PostCom represents its members on postal policy, regulation, and operational issues that affect the use of the mail.

Disclosure: The views and conclusions in this report are those of the author and do not necessarily reflect the views of EMAF, PostCom, or their member organizations.



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