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Annual Compliance Determination Report

Fiscal Year 2024

March 28, 2025

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ACRONYMS AND ABBREVIATIONS USED IN THIS REPORT

AAF	Alaska Adjustment Factor
ACD	*Annual Compliance Determination*
ACR	*Annual Compliance Report*
BOE	Boards of Election
BPM	Bound Printed Matter
C.F.R.	Code of Federal Regulations
CHIR	Chairman's Information Request
CLT	Critically Late Trip
CPI-U	consumer price index for all urban consumers
CPO	community Post Office
CPU	contract postal unit
CRA	Cost and Revenue Analysis
CSDC	Change Suspension Discontinuance Center
CX	Customer Experience
CY	Calendar Year
DFA	Delivering for America
ECSI	educational, cultural, scientific, or informational (value)
EDDM	Every Door Direct Mail
EDDM-R	Every Door Direct Mail—Retail
EMS	Express Mail Service
FPO	foreign postal operator
FY	Fiscal Year
GCA	Greeting Card Association
GEPS—NPR	Global Expedited Package Services—Non-Published Rates
HD	High Density
ICRA	International Cost and Revenue Analysis
IMb	Intelligent Mail barcode

IMTS—Inbound	International Money Transfer Service—Inbound
IMTS—Outbound	International Money Transfer Service—Outbound
Internal SPM	Internal Service Performance Measurement System
IAA	interagency agreement
IAS	International Ancillary Services
IPA	International Priority Airmail
ISAL	International Surface Air Lift
KPI	key performance indicator
MCS	*Mail Classification Schedule*
NDC	network distribution center
NAPM	National Association of Presort Mailers
NPPC	National Postal Policy Council
NSA	negotiated service agreement
OIG	Office of Inspector General
PAEA	Postal Accountability and Enhancement Act
Pitney Bowes	Pitney Bowes Inc.
PO Boxes	Post Office Boxes
PostCom	Association for Postal Commerce
Postal Service	United States Postal Service
PR	Public Representative
PSRA	Postal Service Reform Act of 2022
SCF	sectional center facility
SSKs	self-service kiosks
STIDs	Service Type IDs
TPA	Taxpayers Protection Alliance
U.S.C.	United States Code
UPU	Universal Postal Union
VPO	Village Post Office

EXECUTIVE SUMMARY

This Report reviews the Postal Service's *Annual Compliance Report* (ACR) detailing activities conducted during Fiscal Year (FY) 2024 (October 1, 2023 to September 30, 2024), fulfilling the Commission's responsibility to produce an annual assessment of Postal Service rates and service mandated by 39 U.S.C. §§ 3653 and 3705. It is based on information the Postal Service is required to provide within 90 days after the close of the fiscal year and on comments subsequently received from the public. Commission findings and directives are identified in italics in each chapter and summarized in Appendix A.

Consistent with the approach adopted in past years, the *Annual Compliance Determination* (ACD) focuses on compliance issues as defined in 39 U.S.C. §§ 3653(b)(1), (b)(2), and 3705(e). These statutory subsections require the Commission to make determinations on whether any rates and fees in effect during FY 2024 were not in compliance with chapter 36 and 37 of Title 39 of the United States Code and whether any service standards in effect during FY 2024 were not met. A financial analysis is expanded in the report titled *Financial Analysis of United States Postal Service Financial Results and 10-K Statement 2024* that will be issued later this spring. The Commission will also issue a separate report on the Postal Service's *FY 2024 Annual Performance Report and FY 2025 Performance Plan.*

Notable Commission findings and determinations for FY 2024 are:

- **Market Dominant Rate and Fee Compliance**. In Chapter II, the Commission determines that all rates implemented in FY 2024 complied with all rate authority provisions. All workshare discounts in effect in FY 2024 were in compliance at the time they were introduced in rate adjustment proceedings based on the most recent avoided costs available at the time of each rate adjustment filing. The Postal Service is required to bring any current discounts that are out of compliance with relevant regulations based on the new FY 2024 avoided costs into compliance in the next Market Dominant rate adjustment.
- **Market Dominant Non-Compensatory Classes and Products**. In Chapter III, the Commission finds that the Postal Service lost $705.8 million in FY 2024 from non-compensatory classes and products. Periodicals was the only non-compensatory class, and both products within that class were non-compensatory. With regards to the Periodicals class, the Commission reiterates its longstanding finding that despite cost-reduction initiatives and the maximization of its pricing authority, the costs of these products continue to remain high, and slight increases in unit revenue are not enough to bring the products into compliance. As it relates to non-compensatory products within compensatory classes, the Commission directs the Postal Service to increase the price for these products consistent with its existing regulations in each generally applicable Market Dominant rate proceeding in FY 2025.

- **Competitive Products.** In Chapter IV, the Commission finds that total revenues for Competitive products were not subsidized by Market Dominant products during FY 2024, thereby satisfying 39 U.S.C. § 3633 (a)(1). The Commission also finds that collectively, Competitive products satisfied the appropriate share requirement of 39 U.S.C. § 3633(a)(3). However, revenues for 10 Competitive products did not cover attributable costs and, therefore, did not comply with 39 U.S.C. § 3633(a)(2).
- **Nonpostal Products and Services.** In Chapter V, the Commission finds that Market Dominant and Competitive legacy nonpostal products complied with the applicable requirements of 39 U.S.C. chapter 37 and that Competitive legacy nonpostal products satisfied the cost coverage requirement of 39 U.S.C. § 3633(a)(2) in FY 2024. As it relates to the Postal Service's interagency agreements (IAAs), the Commission finds that the Postal Service's IAAs provided a net contribution to the Postal Service in compliance with 39 U.S.C. § 3704.
- **Service Performance.** In Chapter VI, the Commission finds that 19 out of 27 Market Dominant products/categories failed to meet their service performance targets and directs the Postal Service to take corrective action to improve performance. The Postal Service met its service performance targets for the remaining eight Market Dominant products/categories. Further, no category of First-Class Mail met its target in FY 2024. The Commission directs the Postal Service to improve service performance results to achieve the applicable on-time percent target level for all non-compliant products in FY 2025. The Commission has developed specific directives that are designed to provide increased transparency for the public about the government-owned postal operator's ongoing efforts to restore service performance for those products in FY 2025. These directives include continued Postal Service reporting of specific information developed from its internal metrics within 90 days of the issuance of this ACD and as part of the Postal Service's FY 2025 ACR.

CHAPTER I. INTRODUCTION

A. Statutory Context

United States Code Title 39 Section 3652 requires the Postal Service to file certain reports with the Commission regarding Postal Service costs, revenues, rates, and service during the prior fiscal year, including the Postal Service's ACR.[1] Section 3653(b) requires the Commission to review the Postal Service's ACR and issue an ACD evaluating whether rates or fees were non-compliant with the applicable provisions of chapter 36 of Title 39 of the United States Code (or regulations issued thereunder) and whether any service standards were not met in the fiscal year under review. 39 U.S.C. § 3653(b). The Postal Service Reform Act of 2022 (PSRA)[2] expanded the Postal Service's annual reporting requirements to include costs, revenues, rates, and quality of service for nonpostal services for the fiscal year under review. *See* 39 U.S.C. § 3705(a). The PSRA requires the Commission to review this reporting and determine whether the activities complied with applicable provisions of chapter 37 of Title 39 of the United States Code. *See* 39 U.S.C. § 3705(e); *see* 39 U.S.C. § 3652(a).

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

Consistent with past practice, the Commission plans to issue its analysis of the Postal Service's financial results and Form 10-K later in FY 2025. *See*, *e.g.*, FY 2023 Financial Analysis. Similarly, the Commission will continue publishing a separate analysis evaluating the Postal Service's performance plans and program performance report pursuant to 39 U.S.C. § 3653(d).[3]

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[1] The ACR is filed in accordance with the provisions appearing in 39 U.S.C. § 3652(a) through (f). In conjunction with filing the ACR, the Postal Service must also file its most recent *Comprehensive Statement on Postal Operations*, its FY 2025 *Performance Plan*, and its FY 2024 *Performance Report*. 39 U.S.C. § 3652(g).

[2] Pub. L. 117-108, 136 Stat. 1127 (2022).

[3] *See* Order No. 8652. Initial and reply comment deadlines were established as March 14, 2025, and March 28, 2025, respectively. *Id.* at 4.

B. Timeline and Review of Report

The Postal Service must file the ACR no later than 90 days after the end of each fiscal year (i.e., 90 days after September 30). Upon receipt of the ACR, the Commission provides an opportunity for public comment on the Postal Service's submissions.[4] For the fiscal year under review, the Commission must make a written determination within 90 days of the Postal Service's filing, identifying any rates or fees that were not in compliance with applicable provisions of chapters 36 and 37 of Title 39 or related regulations and whether any service standards were not met. 39 U.S.C. § 3653(b); 39 U.S.C. § 3705(e). In making this determination, the Commission shall take such action as it deems appropriate. 39 U.S.C. § 3653(c); 39 U.S.C. § 3705(e)(3). The Postal Service filed the FY 2024 ACR on December 30, 2024; thus, the Commission must issue this ACD no later than March 31, 2025.

C. Focus of the ACR

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

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

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

[4] 39 U.S.C. § 3653(a). Additionally, the Commission is required to appoint an officer of the Commission who shall represent the interests of the public. *Id.*; *see* 39 U.S.C. § 505.

For nonpostal services in effect during the fiscal year under review, the Postal Service must demonstrate compliance with the applicable provisions of chapter 37 of Title 39 of the United States Code. *See* 39 U.S.C. § 3705(e)(2).[5]

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

In this proceeding, the Postal Service relies upon seven approved methodology changes.[6] The Postal Service discusses the effect of methodology changes to FY 2024 ACR library references in Library Reference USPS-FY24-9 (Roadmap Document).[7]

D. Organization of the FY 2024 ACD

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

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

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

[6] Order No. 7411; Order No. 7049; Order No. 7919; Order No. 7001; Order No. 7347; Order No. 7598; Order No. 7663; Order No. 7970.

[7] Library Reference USPS-FY24-9, December 30, 2024, PDF file "USPS-FY24-9 Roadmap.pdf," at 126-85 (Roadmap Document).

E. Procedural History

On December 30, 2024, the Postal Service filed its FY 2024 ACR, covering October 1, 2023, through September 30, 2024. *See* FY 2024 ACR. The ACR includes extensive narrative and substantial detailed public and non-public information contained in library references. The library references include the Cost and Revenue Analysis (CRA), the International Cost and Revenue Analysis (ICRA), cost models supporting workshare discounts, and billing determinants. The library references also include the Postal Service's Roadmap Document to the FY 2024 ACR, which contains a brief description of each library reference, a summary of material changes in methodology, and a discussion of obsolescence in accordance with 39 C.F.R. § 3050.12. *See* Roadmap Document, *supra note* 7. The Postal Service concurrently filed its FY 2024 Annual Report and FY 2024 Comprehensive Statement on Postal Service Operations as part of Library Reference USPS-FY24-17. *See* FY 2024 Annual Report.

On January 2, 2025, the Commission issued an order establishing Docket No. ACR2024 to consider the ACR, appointing a Public Representative to represent the interests of the general public, and establishing January 28, 2025, and February 11, 2025, as the deadlines for comments and reply comments, respectively. *See* Order No. 8460.

F. Confidentiality

Commission rules require the Postal Service, when it files non-public materials with the Commission, to file an application for non-public treatment which must clearly identify all non-public materials and fulfill the burden of persuasion that the materials should be withheld from the public. 39 C.F.R. §§ 3011.200(a), 3011.201. The FY 2024 ACR includes such an application with respect to certain Competitive and international products. FY 2024 ACR, Attachment 2.

G. Requests for Additional Information

Eleven CHIRs were issued with respect to the ACR beginning on January 10, 2024. *See* generally Appendix C. The Postal Service responded to the CHIRs. *See generally id.*

On January 8, 2025, Pitney Bowes Inc. (Pitney Bowes) filed a motion for issuance of information requests, which the Commission issued on January 17, 2025.[8] In addition, the National Postal Policy Council (NPPC) filed a motion for issuance of information request, which the Commission issued on January 29, 2024.[9] Finally, on February 12, 2025, the Public Representative filed a motion for issuance of information request, which the Commission issued on February 14, 2025.[10]

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[8] Motion of Pitney Bowes Inc. for Issuance of Information Request, January 8, 2025; *see also* CHIR No. 3.

[9] Motion for Issuance of Chairman's Information Request, January 21, 2025; *see also* CHIR No. 5.

[10] Motion of the Public Representative for Issuance of an Information Request, February 12, 2025; *see* Notice of Errata to Motion of the Public Representative for Issuance of an Information Request, February 13, 2025; *see also* CHIR No. 11.

On January 22, 2025, the Postal Service filed a motion requesting partial reconsideration of a CHIR question, and proposing an alternative response.[11] On January 24, 2025, the Commission granted the Motion for Partial Reconsideration, Question 14. Order No. 8656.

[11] Motion for Partial Reconsideration of Question 14 of Chairman's Information Request No. 2, January 22, 2025 (Motion for Reconsideration, Question 14).

CHAPTER II. MARKET DOMINANT PRODUCTS: PRICING REQUIREMENTS

A. Introduction

The system for regulating rates and classes for Market Dominant products was modified in FY 2021 as new regulations went into effect on January 14, 2021, which included new rate authority mechanisms and new requirements for workshare discounts. *See generally* Order No. 5763. Chapter II discusses the class-level price cap and workshare discounts. Key findings are as follows:

- at the time of Commission approval, all rate increases in FY 2024 complied with all relevant regulations;
- at the time of Commission approval, all workshare discounts in effect in FY 2024 complied with all relevant workshare regulations; and
- the Postal Service must bring all current workshare discounts that are not equal to their FY 2024 avoided costs into compliance with relevant workshare regulations in the next rate adjustment proceeding.

B. The Class-Level Price Cap

The regulations as set out in Order No. 5763 provide for multiple forms of rate authority. 39 C.F.R. § 3030.127(a). In particular, in addition to rate authority based on the change in consumer price index for all urban consumers (CPI-U) and any unused banked rate authority, which existed prior to the Commission's issuance of Order No. 5763[12], the maximum rate adjustment authority available to the Postal Service for each Market Dominant class under the new regulations also includes:

- density rate authority (39 C.F.R. part 3030, subpart D), which grants additional rate authority to the Postal Service based on unit cost increases caused by the decline in mail density as the Postal Service delivers fewer mailpieces to more delivery points;
- retirement obligation rate authority (39 C.F.R. part 3030, subpart E), which grants additional authority based on specific retirement liabilities as a driver of the Postal Service's net losses beyond the Postal Service's control; and

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

- when applicable, non-compensatory class rate authority (39 C.F.R. part 3030, subpart G), which grants an additional 2 percentage points of rate authority for classes where costs of all products exceed revenues of all products.[13]

The Commission approved two omnibus rate adjustments that went into effect during 2024.[14] The first was approved in Docket No. R2024-1 on November 22, 2023, and went into effect on January 21, 2024. The second was approved in Docket No. R2024-2 on May 30, 2024, and went into effect on July 14, 2024. In Docket No. R2024-1, all of the 1.959 percent of rate authority newly available to the Postal Service was due to the CPI-U authority. In Docket No. R2024-2, CPI-U accounted for 1.622 percent of the total 7.754 percent rate authority newly available to the Postal Service.[15] Figure II-1 shows the amount of rate authority by type available to the Postal Service in each of these dockets.

Additionally, in Docket No. R2023-3, the Commission approved an incentives-only rate adjustment that consisted of volume-based incentives for First-Class Mail and USPS Marketing Mail. Order No. 6713 at 32. The Commission approved the incentives on September 27, 2023, and they went into effect on January 1, 2024. *Id.* at 1, 32. The incentives lowered the price for certain pieces of qualifying mail. *Id.* at 4-5. The Postal Service did not seek to include the promotional volume in the price cap calculation to generate additional rate authority based on the incentives at the time of filing, or in either of the following rate adjustment proceedings (Docket Nos. R2024-1 and R2024-2). As a result, Docket No. R2023-3 did not implicate the price cap in FY 2024.

At the time of Commission approval, all rates implemented in FY 2024 complied with all relevant rate authority provisions, in accordance with 39 C.F.R. §§ 3030.127 and 3030.128.[16]

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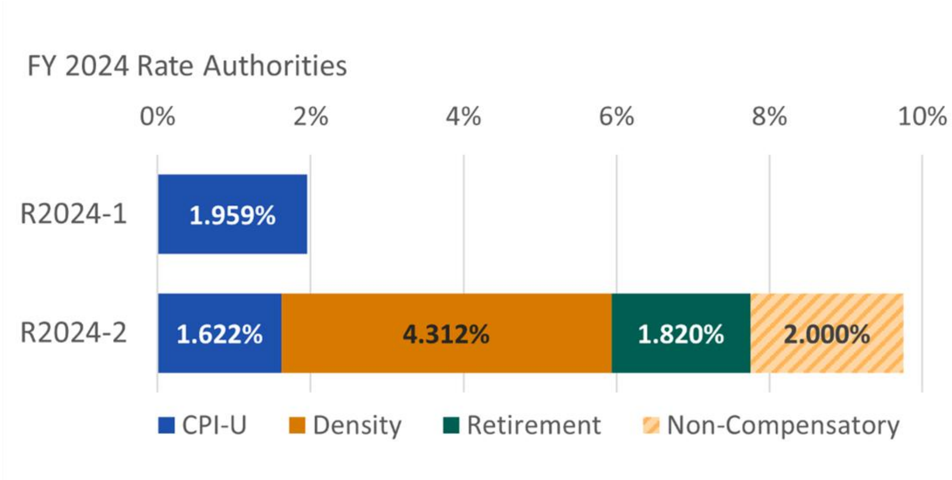
[13] *Id.*; Order No. 5763 at 72, 100, 189-91. Density rate authority, retirement obligation rate authority, and non-compensatory class rate authority are available to the Postal Service only once annually and must be included in the calculation of the maximum rate adjustment authority in the first generally applicable rate adjustment after the authority becomes available. *See* 39 C.F.R. §§ 3030.160(c), 3030.181(c), 3030.222(b). In FY 2024, those authorities became available March 28, 2024. Order No. 7023 at 1, 12.

[14] *See* Order No. 6814; Order No. 7155. Docket No. R2024-2 was the first order after Order No. 7023 and, accordingly, used the newly available density, retirement obligation, and non-compensatory class rate authorities. Docket No. R2024-1 included only newly available rate authority from CPI-U rate authority and banked authority.

[15] The Commission utilizes a 12-month rolling average methodology for calculating CPI-U changes. *See* 39 C.F.R. § 3030.128. The 12-month average for FY 2023 is 302.289 and the 12-month average for FY 2024 is 311.581. Thus, from FY 2023 to FY 2024, CPI-U increase = (311.581/302.289)–1 = 3.074 percent. In Docket No. R2024-2, the total rate authority newly available to the Postal Service was 9.754 percent for the Periodicals class, and 7.754 percent for each of the following mail classes: First-Class Mail, USPS Marketing Mail, Package Services, and Special Services. Order No. 7155 at 6.

[16] *See* Order No. 6713 at 2; Order No. 6814 at 2; Order No. 7155 at 2.

Figure II-1
Available Rate Authority by Case



Source: *See* Docket No. R2024-1, Library References PRC-LR-R2024-1-1 through PRC-LR-R2024-1-5, November 22, 2023; Docket No. R2024-2, Library References PRC-LR-R2024-2-1 through PRC-LR-R2024-2-5, May 30, 2024. Non-compensatory authority only applies to classes of mail found to be non-compensatory as determined by the Commission. 39 C.F.R. § 3030.220. For FY 2024, the only non-compensatory class was Periodicals. *See generally* FY 2023 ACD. Banked authority differs by class based on the difference between the total authority available to the Postal Service under each type of rate authority in prior rate adjustment proceedings and how much the Postal Service has elected to use for each class in those proceedings and is not shown in this graph.

NPPC asserts that, despite service performance issues and cost control problems, the Commission's regulations allow the Postal Service to earn density rate authority. NPPC Comments at 2. NPPC states that it has urged the Commission to abolish the density rate authority in Docket No. RM2024-4, the open proceeding to review the Market Dominant ratemaking system, and instead adopt a performance incentive mechanism tied to mail volume growth and cost control. *Id.* at 3. NPPC states that the FY 2024 ACR demonstrates that "such reforms remain urgently needed." *Id.*

The National Association of Presort Mailers (NAPM) notes that Market Dominant volume loss in FY 2024 was 3.6 percent, which the Postal Service described as "dramatically less" than the 9.1 percent loss in the previous year. NAPM Comments at 5 (quoting FY 2024 ACR at 6). NAPM remains concerned about "mail volume trajectories" and emphasizes that revenue is dependent on "volume remaining in the postal system." NAPM Comments at 6. NAPM urges the Postal Service and Commission to fully consider "the impacts on mail volume from significant price increases." *Id.*

NPPC states that it is pleased that the mail growth incentives approved in Docket No. R2023-3 "appear[] to have had a positive effect in both First-Class Mail and USPS Marketing Mail." NPPC Comments at 1 n.1. The Association for Postal Commerce (PostCom) contends that the Postal Service recently informed the industry that the mail growth incentives would create 2.3 percent of additional rate authority within USPS Marketing Mail and 0.6 percent within First-Class Mail. PostCom Comments at 8. PostCom argues that, while there are questions about how the Postal Service calculated the additional rate authority available as a result of the incentives, it appears to "have greatly exceeded Postal Service expectations[.]" *Id.* PostCom suggests that this may mean the Postal Service has underestimated "own-price elasticity." *Id.*

PostCom argues that the Postal Service is raising rates on First-Class Mail Presorted Letters and USPS Marketing Mail Letters "at an unprecedented pace[.]" *Id.* at 11. PostCom contends customers that use these products bear an "undue burden" in supporting the Postal Service's "rising institutional costs." *Id.*

The Postal Service argues that PostCom does not explain what it means by "undue burden" and does not assert that the Postal Service fails to comply "in any specific way" with the Commission's rate authority regulations. Postal Service Reply Comments at 1-2.

As noted above, all rates implemented in FY 2024 complied with all applicable Commission rate authority provisions. The regulations set forth in Order No. 5763 that provide for multiple forms of rate authority have been in effect for 4 years. Order No. 5763 at 1, 370. Although the Commission planned for a review after 5 years, it recognized that certain conditions and circumstances could merit a review sooner. *See id.* at 267. On April 5, 2024, in response to deteriorating financial conditions accompanied by volume declines and stakeholder concerns on a variety of issues related to the Market Dominant ratemaking system, the Commission opened a proceeding to review the ratemaking system to determine if it is achieving the objectives in 39 U.S.C. § 3622(b), taking into account the factors in 39 U.S.C. § 3622(c). Order No. 7032 at 1, 19-23; *see* Order No. 6814 at 2, 18. That proceeding is ongoing and is the appropriate forum for the Commission to fully consider the potential effect of rate increases on Market Dominant mail volume and to consider arguments related to density rate authority, and to take action, if necessary.

As stated above, the Postal Service did not request or receive rate authority in FY 2024 as a result of the mail growth incentives approved in Docket No. R2023-3, although it indicated it would seek to generate rate authority in the future. *See* Order No. 6713 at 6. The Commission questioned whether its current rules would allow the incentives to generate rate authority, but stated that it would make that determination based on the rules in effect at the time the Postal Service seeks to generate that rate authority. *Id.* at 21.

C. Workshare Discounts

1. Introduction

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

A passthrough represents the relationship between the amount of the workshare discount and the avoided cost, calculated by dividing the workshare discount by its avoided cost and expressing the result as a percentage.[17] When a workshare discount equals avoided cost, the passthrough is 100 percent. If a workshare discount is less than the avoided cost, then the passthrough is below 100 percent. Conversely, if a workshare discount is greater than the avoided cost, then the passthrough is above 100 percent.

2. Workshare Discount Regulations

The Commission's regulations contain several pricing requirements for workshare discounts that must be complied with in each rate adjustment proceeding. *See* 39 C.F.R. pt. 3030, subpt. J. Workshare discounts are primarily regulated through rate adjustment proceedings, and only workshare discounts consistent with the regulations are approved by the Commission and permitted to go into effect. *See*, *e.g*., Order No. 7155 at 7-8, 64, 76, 90, 101.

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

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

In addition, a workshare discount that exceeds avoided cost will be permitted if the Commission has granted a waiver of the application of 39 C.F.R. § 3030.283 pursuant to 39 C.F.R. § 3030.286. *Id.* § 3030.283(d). For a workshare discount that exceeds avoided cost, the application for waiver will be granted only if at least one provision appearing in 39 U.S.C. § 3622(e)(2)(A) through (e)(2)(D) or 39 U.S.C. § 3622(e)(3)(A) through (e)(3)(B) applies. *Id.* § 3030.286(f). Such provisions consider, among other things, preventing a loss of volume and reduction in contribution, phasing out discount gaps over time to mitigate rate shock, and avoiding an impediment to the efficient operation of the Postal Service. In

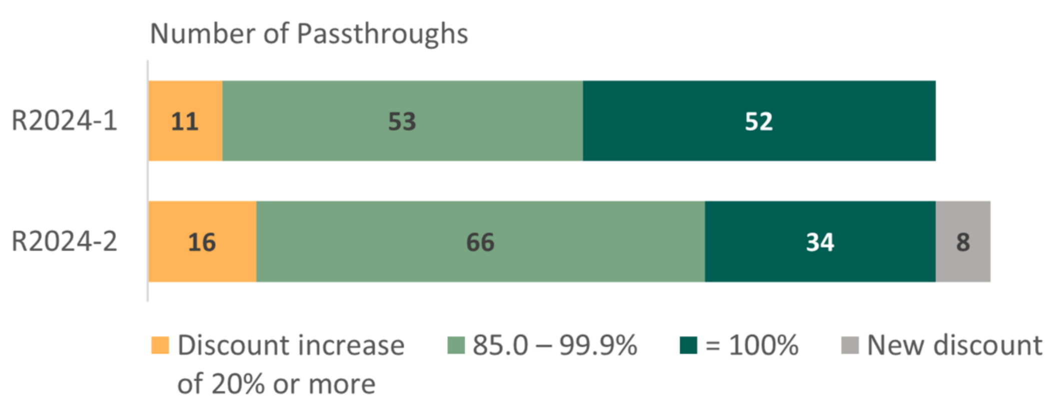
[17] For example, if the Postal Service offers a discount of $0.020 for mailers to apply a barcode to their mail, and this barcoding allows the Postal Service to avoid $0.022 in cost, then the worksharing passthrough is calculated as $0.02/$0.022 = 0.909 or a passthrough of 90.9 percent. Both the workshare discount and the avoided cost should be rounded to three decimal places (i.e., the nearest thousandth or $0.001). The passthrough percentage should be rounded to one decimal place.

Docket No. R2024-1 and Docket No. R2024-2, no such waivers were requested by the Postal Service, no workshare discounts were set above avoided costs, and all discounts complied with applicable regulations.

A workshare discount that is less than its avoided cost is only permissible if one of the following exceptions applies: (1) the proposed workshare discount is associated with a new postal service, a change to an existing postal service, or a new workshare initiative; (2) the proposed workshare discount is a minimum of 20 percent more than the existing workshare discount; or (3) the percentage passthrough for the proposed workshare discount is at least 85 percent. *Id.* § 3030.284(a)-(c), (e). In addition, a workshare discount that is less than its avoided cost will be permitted if the Commission has granted a waiver of the application of 39 C.F.R. § 3030.284 pursuant to 39 C.F.R. § 3030.286. *Id.* § 3030.284(d). For a workshare discount that is less than its avoided cost, the application for waiver will be granted only if setting the workshare discount closer or equal to its avoided cost would impede the efficient operation of the Postal Service or if increasing or eliminating the workshare discount for a non-compensatory product would result in a further increase in the rates paid by mailers not able to take advantage of the discount. *Id.* § 3030.286(g). In Docket Nos. R2024-1 and R2024-2, no such waivers were requested by the Postal Service, no workshare discounts set below avoided costs received a waiver, and all discounts complied with the applicable regulations.

Figure II-2 shows the total number of workshare discount passthroughs by compliance type approved in Docket Nos. R2024-1 and R2024-2.

Figure II-2
Workshare Discount Passthrough Compliance by Rate Case



At the time of Commission approval, and as represented by Figure II-2, all workshare discounts in effect in FY 2024 complied with all workshare provisions, in accordance with 39 C.F.R. §§ 3030.282, 3030.283, and 3030.284.

3. Comments on Workshare Discounts

NAPM contends that "every piece of mail moved from lesser presort categories into the 5-Digit presort category" reduces the Postal Service's costs. NAPM Comments at 10. NAPM asserts that if the Postal Service were to set the passthroughs for First-Class Mail 5-Digit Automation Letters and 5-Digit Automation Postcards closer to 100 percent, more volume could be moved into the co-mailing environment and the Postal Service could reduce costs and increase profit. *Id.* Additionally, NAPM observes that, based upon the cost avoidance at the time of filing the ACR, the First-Class Mail 5-Digit Automation Letters passthrough is 87.3 percent, compared to 98.0 percent in the July 2024 rate adjustment proceeding. *Id.* NAPM argues that because this passthrough is above 85 percent, Commission rules do not require the Postal Service to increase it. *Id.* NAPM urges the Postal Service to move the passthrough closer to 100 percent so that it is closer to fully efficient pricing. *Id.* at 11. NAPM urges the same treatment for the USPS Marketing Mail 5-Digit Automation Letters passthrough, which fell to 85.4 percent based upon updated avoided costs in the ACR. *Id.*

NAPM also commends the Postal Service for introducing new workshare discounts to incentivize mail preparation and entry that supports "optimal" Postal Service transportation and processing, such as the sectional center facility (SCF) pallet discount for USPS Marketing Mail. *Id.* NAPM encourages the Postal Service to introduce a similar discount for First-Class Mail prepared on SCF pallets. *Id.* Finally, NAPM contends that the future of dropship entry workshare discount structure is unclear in light of the Postal Service's planned network and transportation changes. *Id.* at 12. NAPM asserts that it would be helpful if the Postal Service would indicate its plans for these workshare discounts in the near future and as network implementation becomes more complete. *Id.*

Multiple commenters raise concerns about the recency of avoided cost data upon which workshare discounts are set.[18] NPPC asserts, for example, that workshare discounts filed on April 9, 2024 in Docket No. R2024-2 were set on avoided costs determined in the FY 2023 ACD, issued by the Commission on March 28, 2024, and which in turn were based on costs incurred from October 1, 2022, through September 30, 2023. NPPC Comments at 3. NPPC contends that this mismatch is "well known." NPPC Comments at 4. Pitney Bowes and PostCom raise similar concerns. Pitney Bowes Comments at 2, 3; PostCom Comments at 4.

Additionally, NPPC, Pitney Bowes, and PostCom point to First-Class Mail, USPS Marketing Mail, and Periodicals passthroughs that have fallen below 85 percent or exceed 100 percent as sending inefficient price signals.[19] NPPC does not disagree with the Postal Service that these workshare discounts were compliant with Commission rules when proposed but contends that "due to the passage of time" the workshare discounts do not send optimal signals for efficient mailer worksharing. NPPC Comments at 5. Pitney Bowes contends that the 85 percent threshold is too permissive and that the inefficiencies created by this "safe harbor" are compounded by dated avoided costs. Pitney Bowes Comments at 3. Pitney

[18] NPPC Comments at 3; Pitney Bowes Comments at 2; PostCom Comments at 4.

[19] NPPC Comments at 4-5; Pitney Bowes Comments at 2; PostCom Comments at 4.

Bowes contends that workshare discounts should immediately be required "by rule" to be set so that they are fully efficient. *Id.* PostCom also criticizes the 85 percent floor and argues that the Postal Service continues to inappropriately favor passthroughs well below 100 percent. PostCom Comments at 3-4. PostCom criticizes the Postal Service and Commission for using "only one technique – increasing mailer costs –" to obtain workshare discount compliance while not taking action on other efficiency and service performance issues. *Id.* at 4-5.

PostCom notes that passthroughs for dropship discounts are "unusually high," and states that it appears that one cause may be the shift of highway transportation costs from the inter-network distribution center (NDC) category to intra-SCF category, which effectively reduces avoided costs. *Id.* at 4. PostCom contends that the "rote application of formulas" in response to such changes undermines rate predictability. *Id.*

Finally, PostCom contends that there is no legal justification for the Commission's rules requiring the Postal Service to reduce a passthrough that exceeds 100 percent if doing so would impede the efficient Postal Service operation. *Id.* at 5-6. PostCom contends that emphasizing the need to reduce passthroughs over 100 percent but allowing inefficient passthroughs below 100 percent leads to inefficient pricing and operations. *Id.* at 6. PostCom acknowledges that there is an open rulemaking to address the Market Dominant ratemaking system but argues that it has already "spanned multiple fiscal years," and that these issues "require attention in this proceeding." *Id.*

The Postal Service asserts that comments on workshare discounts are outside the scope of this docket and should be "considered, contested, and rejected" in Docket No. RM2024-4. Postal Service Reply Comments at 4. The Postal Service argues that NPPC "essentially concedes" this point by not setting out specific arguments in favor of modifying the workshare discount regulations but rather referencing its filing in Docket No. RM2024-4. *Id.*

4. Commission Analysis

The Commission acknowledges commenter concerns about the timing of avoided cost data that is used to measure workshare discount compliance with Commission rules. The Commission agrees that this concern is not new and has been raised in past annual compliance reviews as well as rate adjustment proceedings. *See*, *e.g.*, FY 2021 ACD at 23; Order No. 7155 at 55-56. As the Commission has previously stated, costs are developed on an annual basis and more frequently updated costs are not currently available. Order No. 7155 at 56. As a result, and consistent with 39 C.F.R. § 3030.280, the Commission uses avoided costs from the most recent ACD to determine workshare discount compliance with 39 C.F.R. part 3030, subpart J. *Id.* In response to this concern, however, as well as other comments raised by stakeholders, the Commission opened Docket No. RM2024-4 to allow full comment and consideration of a variety of issues related to the Market Dominant ratemaking system. That docket is the appropriate forum to address the concern with cost data used to assess workshare discount compliance as well as other arguments concerning the Commission's workshare discounts rules. The scope of the annual compliance review is limited to assessing workshare discount compliance with the Commission's currently effective rules.

In response to NAPM's concerns about potential changes to the workshare discount structure in light of the Postal Service's planned network and transportation changes, the Commission encourages the Postal Service to engage with stakeholders sufficiently in advance to allow mailers to not only understand the workshare discount structure but to also implement any necessary changes. The Commission also encourages the Postal Service to engage stakeholders with respect to whether any additional workshare discounts could incentivize desired mail behavior.

The Commission reiterates that, at the time of approval in rate adjustment proceedings, Docket No. R2024-1 and Docket No. R2024-2, all workshare discounts complied with all workshare provisions, in accordance with 39 C.F.R. §§ 3030.282, 3030.283, 3030.284. *See* Figure II-2, *supra*. The Postal Service does not have the opportunity to bring workshare discounts that have fallen out of compliance with Commission regulations as a result of updated avoided costs filed in the FY 2024 ACR into compliance until the next rate adjustment proceeding. The Postal Service is required to do so at that time. The Commission encourages the Postal Service to not only bring workshare discounts into compliance with Commission regulations, but to also bring passthroughs closer to 100 percent and full efficiency.

In addition to the workshare compliance review in rate adjustment proceedings, the Commission considers compliance for workshare discounts in the ACD. For purposes of determining workshare discount compliance for FY 2024 in the ACD, the Commission identifies which workshare discounts in the previous fiscal year resulted in passthroughs that either exceeded 100 percent or fell below 85 percent. Order No. 5337 at 207; Order No. 5763 at 199. In addition, the Commission identifies those workshare discounts that were equal to their avoided costs. *Id.* Section 3653(b)(1) of Title 39 requires the Commission to base its determination on the rates and fees “in effect” during FY 2024.[20] The rates in effect at the end of FY 2024 are those approved in Docket No. R2024-2. Library Reference PRC-LR-ACR2024-9 demonstrates compliance of discounts approved in Docket No. R2024-2, which were in effect at the end of the year, with the FY 2024 avoided costs. Table II-1 shows the number of workshare discounts by mail class categorized by passthrough level (below 85.0 percent, between 85.0 percent and 99.9 percent, equal to 100 percent, and above 100 percent).

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

Table II-1
Workshare Discounts by Mail Class Categorized by Passthrough Level
Docket No. R2024-2 Workshare Discounts and Docket No. ACR2024 Avoided Costs

Mail Class	<85%	85.0%-99.9%	=100%	>100%	Total
First-Class Mail	12	3	0	1	**16**
USPS Marketing Mail	30	10	3	23	**66**
Periodicals	18	4	0	8	**30**
Package Services	8	0	0	4	**12**
All Mail Classes	**68**	**17**	**3**	**36**	**124**

The Commission finds that all workshare discounts in effect in FY 2024 were in compliance with 39 C.F.R. part 3030, subpart J at the time they were approved in the rate adjustment proceedings based on the most recent avoided costs available at the time of each rate adjustment filing.

The Commission directs the Postal Service to bring all current workshare discounts approved in Docket No. R2024-2 and identified in Table II-1 that are not equal to their avoided costs based on the new FY 2024 avoided costs into compliance with 39 C.F.R. § 3030.283 and 39 C.F.R. § 3030.284 in the next rate adjustment proceeding, which could include aligning workshare discounts with avoided costs or explaining how the workshare discounts comply with existing exceptions (including waivers granted in accordance with the rules set forth in 39 C.F.R. § 3030.286). In addition, all workshare discounts proposed in rate adjustment proceedings must be consistent with 39 C.F.R. § 3030.282.

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

A. Introduction

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

In Order No. 5763, the Commission adopted new rules for non-compensatory classes and products. Specifically, 39 C.F.R. part 3030, subpart G permits an additional 2 percentage points of rate authority for any class of mail where the attributable cost for that class exceeds the revenue from that class. 39 C.F.R. § 3030.222(a). The use of this additional rate authority is optional and may be implemented at the Postal Service's discretion whenever it files a rate adjustment proceeding involving the non-compensatory class. *Id.*

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

The Commission finds that one class was non-compensatory in FY 2024: Periodicals. The Periodicals class contains two products that are each non-compensatory in FY 2024. Additionally, the Commission identifies the following non-compensatory products in compensatory classes: (1) USPS Marketing Mail Flats and (2) Alaska Bypass. The Commission notes that two classes were fully compensatory in FY 2024, with both the class and all products within the class covering attributable costs: First Class Mail and Special Services. These results are displayed in Figure III-1. Collectively, the Postal Service lost $705.8 million in FY 2024 from non-compensatory classes and products.

Figure III-1
Market Dominant Product Compliance Results, FY 2024

UNITED STATES POSTAL SERVICE
POSTAL PRODUCT REPORT CARD
FY 2024
MARKET DOMINANT PRODUCTS & SERVICES

First-Class Mail	(Cost Coverage)		
Single Piece Letters /Cards	178.0%	✓	Compliant
Presorted Letters/Cards	336.4%	✓	Compliant
Flats	124.3%	✓	Compliant
Outbound Single Piece International	164.5%	✓	Compliant
Inbound Letter Post	136.0%	✓	Compliant
USPS Marketing Mail			
Letters	212.0%	✓	Compliant
Flats	76.3%	⭘	Non-Compliant
Parcels	132.4%	✓	Compliant
High Density/Saturation Letters	223.0%	✓	Compliant
High Density/Saturation Flats & Parcels	157.3%	✓	Compliant
Carrier Route	135.5%	✓	Compliant
Every Door Direct Mail	297.8%	✓	Compliant
Periodicals			
In-County	81.5%	⭘	Non-Compliant
Outside County	72.4%	⭘	Non-Compliant
Package Services			
Alaska Bypass Service	99.3%	⭘	Non-Compliant
Bound Printed Matter Flats	127.7%	✓	Compliant
Bound Printed Matter Parcels	100.9%	✓	Compliant
Media Mail/Library Mail	129.6%	✓	Compliant
Special Services			
Ancillary Services	243.0%	✓	Compliant
International Ancillary Services	167.7%	✓	Compliant
Address Management Services	1303.9%	✓	Compliant
Money Orders	141.7%	✓	Compliant
Post Office Box Services	233.5%	✓	Compliant
Stamp Fulfillment Services	221.8%	✓	Compliant
Caller Service	657.7%	✓	Compliant
Credit Card Authentication	792.7%	✓	Compliant
Outbound International Special Services*	NMF	✓	Compliant

**Outbound International Special Services includes International Business Reply Mail and International Reply Coupon. No Meaningful Figure (NMF) can be calculated due to lack of volume or cost data.*

Source: Library Reference PRC-LR-ACR2024-1.

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

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

B. Non-Compensatory Classes

1. Periodicals

a. FY 2024 Results

The Periodicals class is comprised of two products, In-County[21] and Outside County. Revenue for both products was insufficient to cover their attributable costs in FY 2024. As shown in Table III-1, the cost coverage for the class increased for the first time since FY 2022 from 60.1 percent in FY 2023 to 73.0 percent in FY 2024, an improvement of 12.9 percentage points but still resulting in a negative contribution of $338 million. *See* Library Reference PRC-LR-ACR2024-5. In this section, the Commission discusses the FY 2024 financial results for Periodicals in more detail.

Table III-1
Periodicals Cost Coverage, FY 2020–FY 2024

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	5 Year % Change	1 Year % Change
Periodicals Overall	**56.93%**	**53.24%**	**61.06%**	**60.05%**	**72.97%**	**16.0%**	**12.9%**
In-County	51.07%	45.02%	49.09%	57.36%	81.47%	**30.4%**	**24.1%**
Outside County	57.29%	53.86%	61.93%	60.27%	72.38%	**15.1%**	**12.1%**

Source: Library Reference PRC-LR-ACR2024-5.

The Postal Service reports that revenue-per-piece increased 8 percent and cost-per-piece decreased 11 percent, resulting in the improvement in cost coverage described above. FY 2024 ACR at 23. The Postal Service also notes that Periodicals volume has been declining over time with the most prominent driver of the downward trend in Periodicals continuing

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

to be diversion to digital media and a general reduction in the number of magazine publications.[22]

b. Previous Directives

The Periodicals class has consistently failed to cover its attributable costs, and the Commission has repeatedly encouraged the Postal Service to improve Periodicals cost coverage.[23] In its Flats Study, the Commission made several recommendations to the Postal Service as it developed its plan to address inefficiencies in the collection, sorting, transportation, and delivery of flat-shaped mailpieces, which includes both In-County and Outside County Periodicals. Docket No. SS2022-1, Flats Study at 2-3. On October 6, 2023, the Postal Service filed its required plan in response to the Flats Study. *See generally* Docket No. SS2022-1, October 6, 2023 Flats Plan. On December 27, 2024, the Commission issued an order in Docket No. SS2022-1, October 6, 2023 Flats Plan, approving the plan in part and requiring the Postal Service to submit a supplemental plan to address inefficiencies identified by the Commission in the Flats Study that were not addressed or were only partially addressed in the Docket No. SS2022-1, October 6, 2023 Flats Plan. Order No. 8436 at 2. The supplemental plan is due no later than June 25, 2025. *Id.*

c. Comments on Periodicals

PostCom notes that cost coverages for Market Dominant flats products improved, which it states is "a welcome development[,]" but further notes that such improvements "are the result of the Postal Service's changes in costing methodology and practices rather than reflective of improved efficiency." PostCom Comments at 3, 6. PostCom also expresses concern that the Postal Service is engaging in "ill-informed cost shifting" by placing additional requirements on flats' mailers to reduce bundle breakage that PostCom represents will "require significant capital investments from manufacturers." *Id.* at 7.

The Public Representative observes that Periodicals as a class did not cover its costs in FY 2024 but acknowledges that cost coverage for the class improved over FY 2023 even as volume declined. PR Comments at 3-4, 11. The Public Representative further observes that an overall decrease in volume of 8.2 percent was driven by an 11.0 percent decrease in Outside County volume even as In-County volume increased by 7.0 percent. *Id.* at 11. The Public Representative states that attributable costs for both Outside County and In-County decreased in FY 2024, with Outside County having a decrease in attributable costs of 19.0 percent, and states that these decreases in attributable costs drove increases in cost coverage for both products. *Id.* The Public Representative states that "it is important for the Postal Service to continue focusing on cost reduction to increase cost coverage, especially for this class and its products." *Id.* at 12. He notes that although "[l]arge increases in cost coverage were achieved this fiscal year . . . more is needed to make these products

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[22] *See* Library Reference USPS-FY24-45, December 30, 2024, folder "Rule 3050.50 Flats," folder "Paragraph (b) -- Financial Report," PDF file "Part B Narratives-FY 24 Rule 3050.50.pdf," at 11.

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

compensatory." *Id.* He also suggests that the Postal Service monitor Outside County volumes, as revenue from that product decreased in FY 2024. *Id.*

d. Commission Analysis

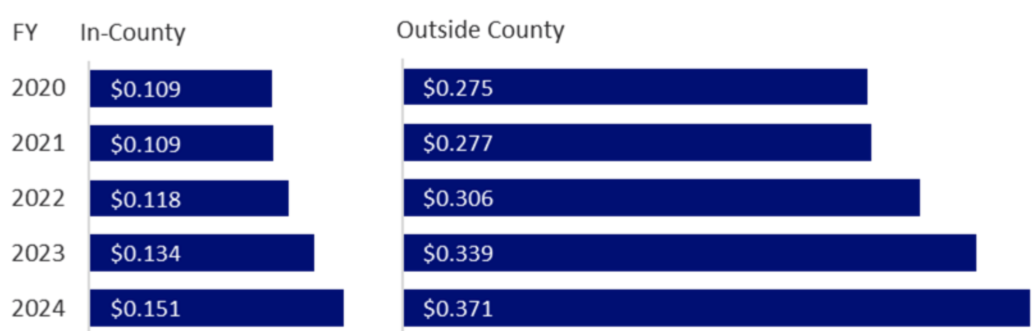
Since FY 2020, Periodicals volume has declined by 31.5 percent, total revenue has declined by 10.9 percent, total attributable cost has declined by 30.5 percent, and during that time, the Periodicals class has provided cumulative negative contribution of $3.2 billion. *See* Library Reference PRC-LR-ACR2024-5. To better understand the contribution shortfall of Periodicals, the Commission analyzes Periodicals revenue and cost.

(1) Periodicals Revenue

In an effort to improve Periodicals revenue, and in line with prior encouragement from the Commission to improve cost coverage, the Postal Service has generally implemented price increases that have maximized the use of the Postal Service's rate authority for both Periodicals products since the rules governing the new ratemaking system went into effect in January 2021.[24] In Docket No. R2024-1, the Postal Service raised Periodicals prices by 1.959 percent on average, using all of the available Periodicals rate adjustment authority. Order No. 6814 at 42. In Docket No. R2024-2, the Postal Service also used all of the available Periodicals rate adjustment authority, raising Periodicals prices by 9.754 percent on average. Order No. 7155 at 84-85.

As such, FY 2024 Periodicals unit revenue increased over 7 percent compared to FY 2023. As detailed in Figure III-2, from FY 2020 to FY 2021, Periodicals unit revenue remained flat while FYs 2022, 2023, and 2024 showed significant growth. Unit revenue for In-County was $0.134 in FY 2023 and $0.151 in FY 2024, an increase of 12.9 percent. Unit revenue for Outside County was $0.339 in FY 2023 and $0.371 in FY 2024, an increase of 9.3 percent.

Figure III-2
Periodicals Unit Revenue, FY 2020–FY 2024



Source: Library Reference PRC-LR-ACR2024-5.

[24] *See* 85 Fed. Reg. 81,124 (Dec. 15, 2020).

Changes in the characteristics of mailpieces, such as weight and advertising content, have dampened the impact of the rate increases. For Outside County, which makes up 91.7 percent of Periodicals revenue, pricing for the product is related to weight and percent of advertising content. Simply put, the Postal Service earns more revenue from mailpieces that are heavier and contain more advertising, but both of those elements are decreasing. As detailed in Table III-2, average weight for Outside County decreased by 8.6 percent and average advertising content decreased by 3.8 percentage points over the last 5 fiscal years. These factors directly limited the revenue that the Postal Service earned from the Outside County product, which makes the unit revenue increase experienced by the product in FY 2024 more noteworthy.

Table III-2
Periodicals Outside County Revenue Elements, FY 2020–FY 2024

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	5 Year % Change	1 Year % Change
Weight (Ounces)	5.32	5.26	5.18	4.96	4.87	**-8.6%**	**-1.8%**
Advertising Content	31.9%	30.7%	30.2%	29.1%	28.2%	**-3.8%**	**-0.9%**

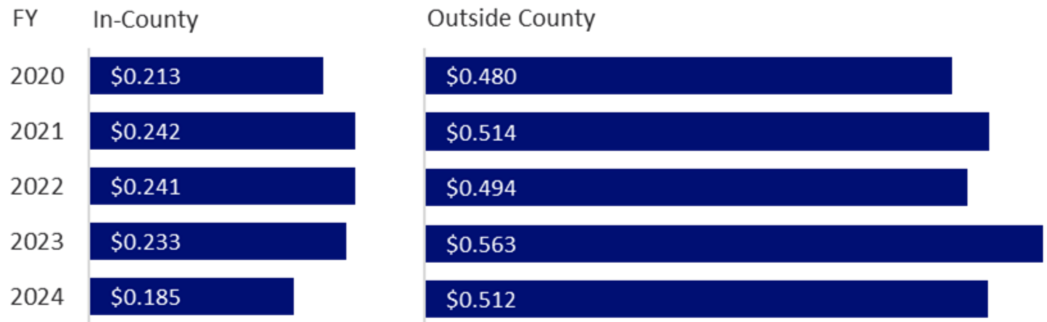
Source: Library Reference PRC-LR-ACR2024-5.

(2) Periodicals Attributable Cost

Because Periodicals is comprised of flat-shaped mail, the operational changes and initiatives designed to reduce flat-shaped mail costs, as described in Postal Service reporting required by 39 C.F.R. § 3050.50, impacts Periodicals. *See* Library Reference USPS-FY24-45.

The Postal Service states that declines in Periodicals unit costs across mail processing, transportation, and delivery were primarily explained by three factors: the NDC unwind, steady wage rates for carriers, and the implementation of new carrier cost models. Response to CHIR No. 7, question 8.c. The NDC unwind initiative that merged the parallel SCF and NDC transportation networks into one integrated network contributed to declines in mail processing and transportation unit costs. This merger was the primary driver for 1.2 cent decline in transportation unit costs to 5.9 cents in FY 2024 compared to FY 2023. *Id.* At the same time, steady carrier wage rates combined with the implementation of the new city and rural carrier cost models that attributed more costs to parcels and fewer to flats contributed to declines in delivery unit costs. *Id.*

Figure III-3
Periodicals Unit Attributable Cost, FY 2020–FY 2024

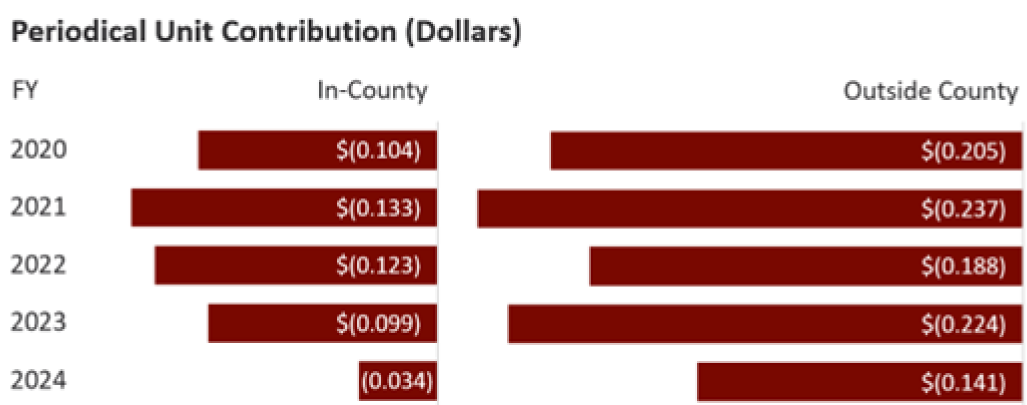


Source: Library Reference PRC-LR-ACR2024-5.

As detailed in Figure III-3, Periodicals unit attributable cost decreased from FY 2023 to FY 2024. Unit attributable cost for In-County was $0.233 in FY 2023 and $0.185 in FY 2024, a decrease of 20.5 percent. *See* Library Reference PRC-LR-ACR2024-5. Unit attributable cost for Outside County was $0.563 in FY 2023 and $0.512 in FY 2024, a decrease of 9.0 percent. *Id.*

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

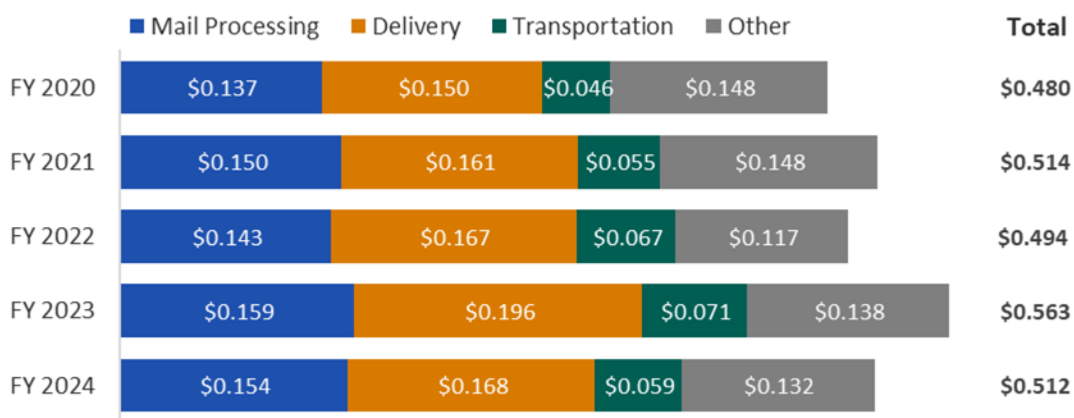
Figure III-4
Periodicals Unit Contribution, FY 2020–FY 2024



Source: Library Reference PRC-LR-ACR2024-5.

In FY 2024, Outside County constituted 82.4 percent of all Periodicals volume and 92.7 percent of total Periodicals attributable cost. Library Reference PRC-LR-ACR2024-5. Figure III-5 shows that Outside County unit attributable cost decreased by 5.1 cents from FY 2023 to FY 2024. In FY 2024, the unit attributable cost decreased across all segments, including mail processing, delivery, transportation, and other costs.[25]

Figure III-5
Periodicals Outside County Unit Attributable Cost, FY 2020–FY 2024



Source: Library Reference PRC-LR-ACR2024-5.

As Table III-3 illustrates, mailer presortation of Outside County Carrier Route has decreased since FY 2020. In FY 2020, mailer presortation of Outside County Carrier Route was at 58.9 percent and decreased to 56.7 percent by FY 2024. Library Reference PRC-LR-ACR2024-5. In addition, mailer dropship of Outside County decreased from 71.9 percent in FY 2020 to 68.3 percent in FY 2024. *Id.*

Table III-3
Periodicals Outside County Mail Mix, FY 2020–FY 2024

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	5 Year % Change	1 Year % Change
Mail Mix (Carrier Route)	58.9%	58.7%	57.6%	56.5%	56.7%	**-2.2%**	**0.2%**
Mail Mix (Dropship)	71.9%	72.8%	70.0%	68.7%	68.3%	**-3.6%**	**-0.5%**

Source: Library Reference PRC-LR-ACR2024-5.

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

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

The Commission is encouraged to see cost reductions for Periodicals but reiterates its longstanding findings that despite numerous cost-reduction initiatives designed to reduce flat-shaped mail costs, including Periodicals costs, these costs still remain high. Furthermore, the Commission encourages the Postal Service to continue to maximize its usage of rate authority granted under 39 C.F.R. § 3030.222 and to maximize its cost coverage by strategically pricing Periodicals.

C. Non-Compensatory Products in Compensatory Classes

1. USPS Marketing Mail

As a class, USPS Marketing Mail covered its attributable costs in FY 2024 and had an overall cost coverage of 169.8 percent. Library Reference PRC-LR-ACR2024-4. Table III-4 provides the cost coverage for each USPS Marketing Mail product as well as the overall class for the last 5 fiscal years. As Table III-4 shows, USPS Marketing Mail Flats did not cover costs in FY 2024. The Commission notes that USPS Marketing Mail Carrier Route, which was non-compensatory in FY 2019 to FY 2023, covered its attributable costs in FY 2024 although the Postal Service states there are risks and uncertainties that could impact the cost and revenue of the product in the future.[26] The Commission will continue to monitor the performance of USPS Carrier Route in future years.

Table III-4
USPS Marketing Mail Cost Coverage, FY 2020–FY 2024

Fiscal Year	USPS Marketing Mail Overall	Carrier Route	Letters	Flats	Parcels	HD/Sat Flats	EDDM	HD/Sat Letters
FY 2020	**129.50%**	96.20%	171.40%	63.30%	76.50%	129.90%	257.70%	188.60%
FY 2021	**130.50%**	94.60%	174.70%	60.30%	73.10%	125.40%	248.30%	182.40%
FY 2022	**143.50%**	99.40%	191.20%	66.70%	87.50%	132.50%	263.90%	198.80%
FY 2023	**136.30%**	98.70%	180.10%	64.50%	119.50%	122.70%	214.80%	184.90%
FY 2024	**169.80%**	135.50%	212.00%	76.30%	132.40%	157.30%	297.80%	223.00%

Source: Library Reference PRC-LR-ACR2024-4.

[26] According to the Postal Service, the Form 10-K filed on November 14, 2024 identifies such risks and uncertainties. *See* January 23 Response to CHIR No. 2, question 4.c.v.; United States Postal Service Form 10-K FY 2024, November 14, 2024, at 10-17. The risks identified and discussed in detail in the 10-K include operational, market, financial, and regulatory risks.

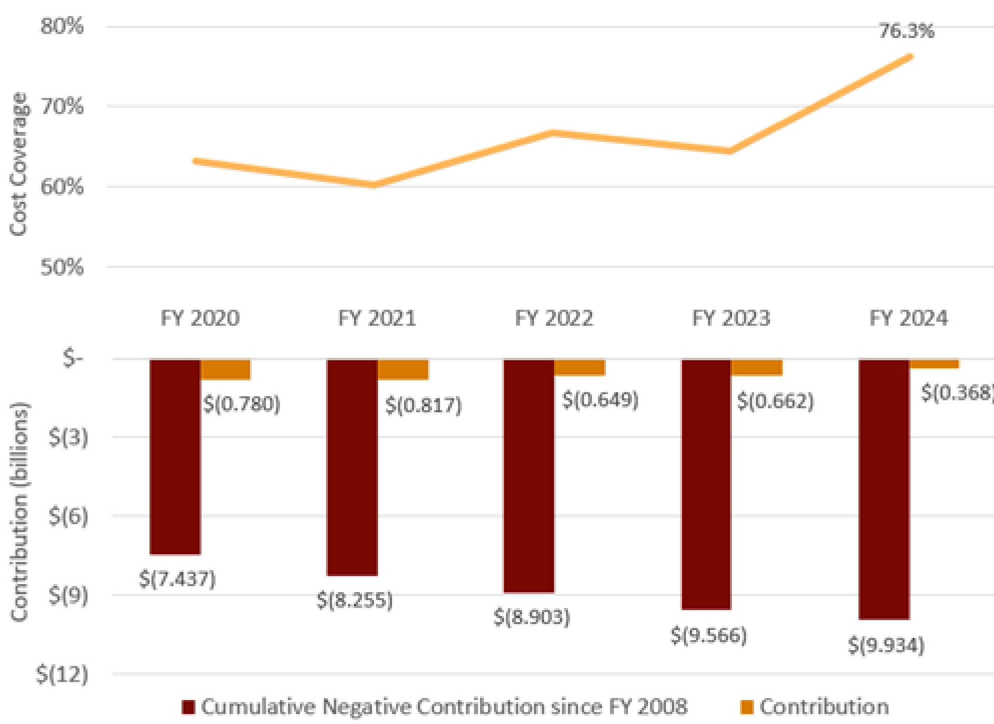
In this chapter, the Commission discusses the FY 2024 financial results for USPS Marketing Mail Flats, in more detail.

a. USPS Marketing Mail Flats

(1) FY 2024 Results

In FY 2024, USPS Marketing Mail Flats had a cost coverage of 76.3 percent, 11.8 percentage points higher than in the prior year. *See* Library Reference PRC-LR-ACR2024-4; FY 2023 ACD at 34. As shown in Figure III-6, cost coverage for USPS Marketing Mail Flats has increased 13.0 percentage points from FY 2020 to FY 2024. *Id*.

Figure III-6
USPS Marketing Mail Flats Cost Coverage and Contribution, FY 2020–FY 2024



Source: Library Reference PRC-LR-ACR2024-4.

Unit revenue grew by 13.1 percent in FY 2024, an increase over the 12.3 percent unit revenue growth seen in FY 2023.[27] The Postal Service reports that it implemented rate increases for USPS Marketing Mail of 1.961 percent on average in January 2024 and of 7.755 percent on average in July 2024. January 23 Response to CHIR No. 2, question 3.a. However, USPS Marketing Mail Flats saw rate increases of 3.966 percent in January 2024 and 11.708 percent in July 2024. ACR 2024 at 20. The Postal Service also states that the proportion of USPS Marketing Mail Nonprofit Flats, which are required under 39 U.S.C. §

[27] *See* Docket No. ACR2023, Library Reference USPS-FY23-1, December 29, 2023; Library Reference USPS-FY24-1, December 30, 2024.

3626(a)(6)(A) to have lower rates compared to their commercial counterparts and thus generate less revenue per mailpiece, "appears to have stabilized at 33.7 percent in FY 2024." *Id.*

In addition, attributable costs-per-piece for USPS Marketing Mail Flats decreased from 83.8 cents in FY 2023 to 80.2 cents in FY 2024, a decline of 4.3 percent. *Id.*

The product had a negative contribution of $368 million in FY 2024, as shown in Figure III-6. *Id.* at 19. As a result, the cumulative negative contribution from USPS Marketing Mail Flats between FY 2008 and FY 2024 grew to $9.9 billion, as shown in Figure III-6.

USPS Marketing Mail Flats volume decreased, from 2.228 billion mailpieces in FY 2023 to 1.937 billion mailpieces in FY 2024, a decline of "about 13 percent." January 23 Response to CHIR No. 2, question 4.a.i. This rate of decline was less than the rate of decline in FY 2023, with the product's volume having decreased 17.3 percent compared to FY 2022. FY 2023 ACD at 35. However, the rate of decline in FY 2024 is higher than in other recent years, with the product's volume having decreased 6.1 percent in FY 2022 and 10.3 percent in FY 2021. *Id.*

(2) Previous ACD Directives

Given USPS Marketing Mail Flats' history of not covering its costs, the Commission has issued specific directives related to the cost coverage of USPS Marketing Mail Flats since the FY 2010 ACD.[28] In the FY 2023 ACD, the Commission found that the cost coverage remained severely deficient and emphasized that under 39 C.F.R. § 3030.221, the Postal Service must propose a rate increase for USPS Marketing Mail Flats that is at least 2 percentage points above the average rate increase for the class in any rate adjustment filing affecting the USPS Marketing Mail class. FY 2023 ACD at 41-42. The Commission also urged the Postal Service to continue its pursuit of cost reductions for flat-shaped products. *Id.* at 42. The Postal Service raised rates for USPS Marketing Mail Flats by at least 2 percentage points higher than the USPS Marketing Mail class average in the Market Dominant rate increases since the FY 2023 ACD. *See* FY 2024 ACR at 20-21.

(3) Comments on USPS Marketing Mail Flats

The Public Representative notes the increase in Marketing Mail Flats' cost coverage, attributing it to "a decrease in attributable costs of 16.9 percent," and remarks that "the Postal Service should continue focusing on improving [USPS] Marketing Mail Flats' cost coverage." PR Comments at 10. NAPM comments that it "is disappointed" to see that USPS Marketing Mail Flats "again did not cover its costs and therefore will be subject to [39 C.F.R. § 3030.221] in the next price change, despite the huge efforts from the Commission, USPS Office of Inspector General (USPS OIG), the USPS itself and the mailing industry to identify and reduce flats costs." NAPM Comments at 12. PostCom comments that such "mandated rate increases – which will now take place every six months – will have a trivial effect on

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

the Postal Service's financial performance." PostCom Comments at 7. PostCom is concerned that "a singular emphasis on repairing product level cost coverages through higher prices may damage USPS Marketing Mail." *Id.*

(4) Commission Analysis

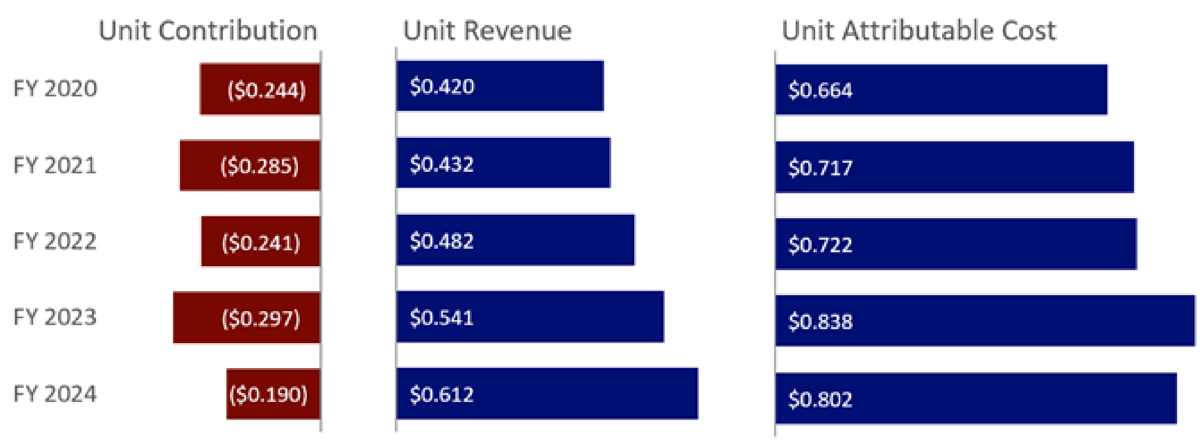
The Commission's analysis of USPS Marketing Mail Flats examines cost coverage, the intra-class subsidy, and changes in the product-level mail mix.

(a) FY 2024 Cost Coverage and Unit Contribution

As described above, the cost coverage for USPS Marketing Mail Flats was 76.3 percent in FY 2024, 11.8 percentage points higher than in the prior year. FY 2024 ACR at 20. As shown in Figure III-7, the unit contribution of USPS Marketing Mail Flats was -19.0 cents in FY 2024, a 10.8 cent increase from FY 2023. *See* Docket No. ACR2023, Library Reference USPS-FY23-1, Library Reference USPS-FY24-1. In addition, the cost coverage for USPS Marketing Mail Flats is at its highest point since 2016. *See* FY 2023 ACD at 38; FY 2019 ACD at 34. Because cost coverage and unit contribution are functions of both cost and revenue, the Commission also shows unit cost and revenue trends in Figure III-7. Unit revenues increased by 13.1 percent, from 54.1 cents in FY 2023 to 61.2 cents in FY 2024. FY 2024 ACR at 20.

The Postal Service reports that USPS Marketing Mail Flats volume declined "about 13 percent." January 23 Response to CHIR No. 2, question 4.a.i. As a result, USPS Marketing Mail Flats total revenue declined despite the increase in unit revenue. *See id.*

Figure III-7
USPS Marketing Mail Flats Unit Revenue, Attributable Cost, and Contribution, FY 2020–FY 2024



Source: Library Reference PRC-LR-ACR2024-4.

(b) Intra-Class Cross-Subsidy

In the FY 2010 ACD, as part of its findings of non-compliance, the Commission analyzed the intra-class subsidy received by USPS Marketing Mail Flats, specifically from USPS Marketing Mail Letters, and found that the rates for USPS Marketing Mail Flats "produced a substantial and growing cost coverage shortfall that burdened mailers of other [USPS Marketing Mail] products."[29] The Commission issued its FY 2010 ACD directive with the intent of enabling the Postal Service to reduce the contribution gap between these products.[30]

In FY 2010, the fiscal year in which the directive was issued, the contribution gap between USPS Marketing Mail Letters and USPS Marketing Mail Flats was 16.8 cents. By FY 2023, the contribution gap reached a new high of 40.8 cents. FY 2023 ACD at 39; Library Reference PRC-LR-ACR2024-4. In FY 2024, the contribution gap decreased to 32.8 cents. Over the long term, the unit contribution for USPS Marketing Mail Flats has decreased by 10.9 cents since FY 2010, while during the same time, the unit contribution for USPS Marketing Mail Letters has increased by 5.2 cents.

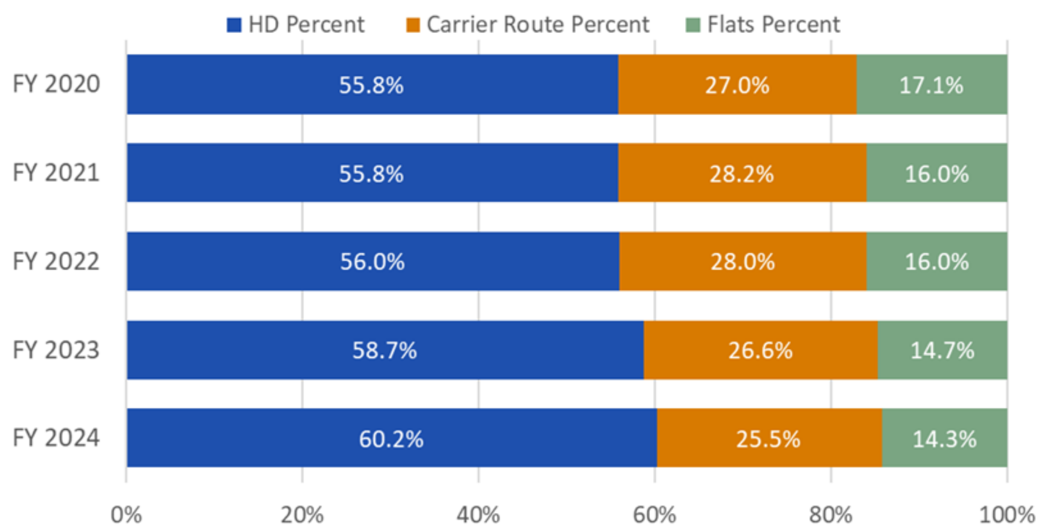
(c) Changes in the Product-Level Mail Mix

The Commission notes, as part of its analysis for USPS Marketing Mail Flats, that changes have occurred in the mail mix over time. Figure III-8 shows the distribution of USPS Marketing Mail Flats, USPS Marketing Mail Carrier Route, and USPS Marketing Mail High Density/Saturation Flats volumes. In past years, USPS Marketing Mail High Density/Saturation Flats came to occupy an increasing share of flat-shaped USPS Marketing Mail. All USPS Marketing Mail products, except Every Door Direct Mail—Retail, experienced volume decreases in absolute terms in FY 2024, and the Postal Service reports that USPS Marketing Mail Flats volumes decreased by "about 13 percent." January 23 Response to CHIR No. 2, question 4.a.i. The relative decrease of USPS Marketing Mail Flats volume helps to limit the impact of this non-compensatory product on the class as a whole.

[29] Order No. 1427 at 8-10; FY 2010 ACD at 105-07; *see also U.S. Postal Serv. v. Postal Regul. Comm'n*, 676 F.3d 1105, 1107-08 (D.C. Cir. 2012). The Commission identified several factors used in its determination including a significant and growing cost coverage shortfall; the duration of the shortfall over a significant period; evidence that the cost coverage shortfall was likely to increase further; a significant adverse impact on users of other mail products (some of whom could be competitors of mailers of the subsidized mail product) requiring subsidization of the non-complying product; failure of the Postal Service to address the shortfall by rate increases, cost decreases, or a combination thereof, despite the capability to do so; and the failure of the Postal Service to provide an adequate explanation for not taking necessary remedial steps designed to ameliorate the cost coverage shortfall. Order No. 1427 at 9.

[30] *See id.* at 8. The contribution gap is calculated as the difference between the unit contribution made by USPS Marketing Mail Letters and the unit contribution made by USPS Marketing Mail Flats.

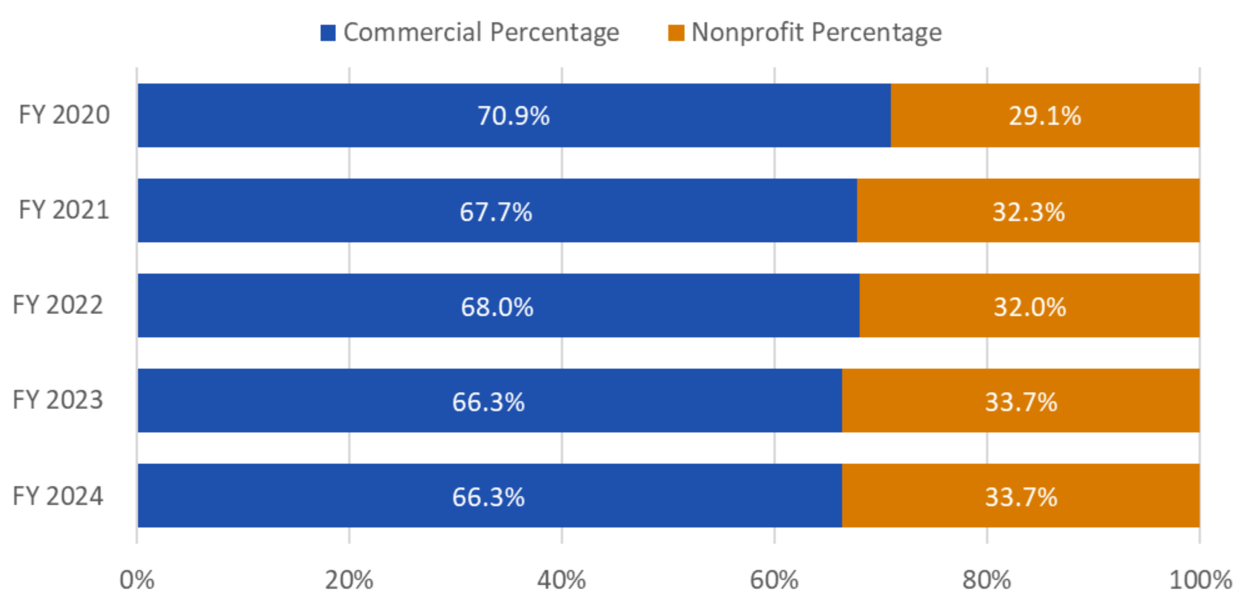
Figure III-8
Volume Distribution of USPS Marketing Mail Flats, Carrier Route, High Density/Saturation Flats, FY 2020–FY 2024



Source: Library Reference PRC-LR-ACR2024-4.

Changes in the mail mix of commercial and nonprofit mail can serve to dampen the expected effects of rate increases on unit revenue for the USPS Marketing Mail Flats product, as nonprofit pieces, which by law are required to have lower rates compared to their commercial counterparts, make up a larger percentage of the total volume. *See* 39 U.S.C. § 3626(a)(6)(A). However, the Postal Service states that the proportion of nonprofit Flats remains unchanged from FY 2023 and appears to have stabilized. ACR 2024 at 20. This can help stabilize unit revenue. The proportion of nonprofit Flats is shown in Figure III-9. The Commission will continue to monitor these trends.

Figure III-9
USPS Marketing Mail Flats Commercial-Nonprofit Mail Mix, FY 2020–FY 2024



Source: Library Reference PRC-LR-ACR2024-4.

(d) Response to Comments

The Commission agrees with the Public Representative that, although the cost coverage for the USPS Marketing Mail Flats product increased, the increase was not sufficient for the product to become compensatory in FY 2024. *See* PR Comments at 10; *cf.* NAPM Comments at 12. Thus, the Commission agrees that the Postal Service should continue focusing on improving the USPS Marketing Mail Flats product's cost coverage.

As noted above, PostCom is concerned that "a singular emphasis on repairing product level cost coverages through higher prices may damage USPS Marketing Mail." PostCom Comments at 7. However, the Commission notes that it has continuously encouraged the Postal Service to pursue cost reductions for flat-shaped products in an effort to improve product cost coverage. *See, e.g.,* FY 2023 ACD at 42; FY 2022 ACD at 48. In addition, cost coverage for USPS Marketing Mail Flats and the USPS Marketing Mail class are at their highest level in several years, which is in part due to rate increases permitted by 39 C.F.R. § 3030.221. In addition, PostCom's comments that the Commission should not focus on product-level cost coverage conflicts with 39 C.F.R. § 3030.221 and its rate increase requirement. Moreover, failing to focus on product-level cost coverage would not address the intra-class subsidies that compensatory products provide to non-compensatory products, to the detriment of users of compensatory products. To the extent that PostCom takes issue with the requirements of 39 C.F.R. § 3030.221, such issues are outside the scope of the FY 2024 ACR and are more appropriately considered in Docket No. RM2024-4.

(5) FY 2024 Directive

Given the persisting deficiency in cost coverage for USPS Marketing Mail Flats, the Commission continues to find that this product violates 39 U.S.C. § 101(d) by constituting an intra-class subsidy.

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

The Commission finds that the cost coverage for USPS Marketing Mail Flats remained deficient in FY 2024 and reminds the Postal Service that under 39 C.F.R. § 3030.221, it must propose a rate increase for USPS Marketing Mail Flats that is at least 2 percentage points above the average increase for the class in any rate adjustment filing affecting USPS Marketing Mail. In addition, the Commission urges the Postal Service to continue to pursue cost reductions of flat-shaped products, including USPS Marketing Mail Flats.

2. Package Services

Package Services covered its overall attributable costs in FY 2024, with a cost coverage of 115.9 percent. Library Reference PRC-LR-ACR2024-6. The Package Services class consists of four products. Three of those products, Bound Printed Matter (BPM) Flats, Bound Printed Matter Parcels, and Media Mail/Library Mail, covered their attributable costs in FY 2024. *Id.* Alaska Bypass was the only Package Services product that failed to cover its attributable cost. *Id.* Table III-5 contains the cost coverage of each Package Services product.

Table III-5
Package Services Cost Coverage, FY 2020–FY 2024

Fiscal Year	Package Services Overall	Alaska Bypass Service	Bound Printed Matter Flats	Bound Printed Matter Parcels	Media Mail / Library Mail
FY 2020	**92.5%**	147.6%	125.8%	94.0%	79.3%
FY 2021	**93.2%**	129.8%	117.3%	94.6%	84.3%
FY 2022	**102.2%**	136.0%	124.7%	108.7%	91.3%
FY 2023	**102.3%**	120.1%	114.0%	118.9%	89.7%
FY 2024	**115.9%**	99.3%	127.0%	100.8%	129.6%

Source: Library Reference PRC-LR-ACR2024-6.

As Table III-5 shows, the cost coverage for the Package Services class in FY 2024 is the highest it has been in the last 5 fiscal years.[31] However, it also conveys that cost coverages in FY 2024 yielded mixed results for Package Services products. While BPM Flats and Media Mail/Library Mail saw cost coverage increases, both BPM Parcels and Alaska Bypass saw precipitous drops, with the latter product falling out of compliance.

a. Alaska Bypass

(1) FY 2024 Results

In FY 2024, the Alaska Bypass product failed to cover its attributable costs with a cost coverage of 99.3 percent. *See* FY 2024 ACR at 25. This marked a steep decline relative to FY 2023 when Alaska Bypass had a cost coverage of 120.1 percent. *Id.* As demonstrated in Table III-6, the product's cost coverage has generally declined over the past 5 years. In FY 2024, Alaska Bypass had unit revenue of $33.00 and attributable costs of $33.22. Table III-6. According to the Postal Service, this represents a 5.8 percent increase in unit revenue and a 27.9 percent increase in unit attributable cost compared to FY 2023. FY 2024 ACR at 25.

The Postal Service states that attributable costs for Alaska Bypass are computed by multiplying the accrued Alaska Bypass costs by the Alaska Adjustment Factor (AAF). *Id*. The AAF is the ratio of inter-SCF cost-per-pound to Alaska Bypass cost-per-pound. *Id.* The Postal Service explains that in FY 2024, the AAF increased to 24.5 percent (or by 4.3 percentage points since FY 2023) due to the unit cost-per-inter-SCF pound increasing at a faster rate of 26.8 percent than the unit cost-per-Alaska Bypass pound (4.3 percent). *Id.*

(2) Comments on Package Services and Alaska Bypass

The Public Representative notes that Package Services and its products, aside from Alaska Bypass, covered their respective attributable costs in FY 2024. PR Comments at 12. The Public Representative also notes that as a class, Package Services contributed $ 124 million to institutional costs in FY 2024. *Id.; see* FY 2024 ACR, Table 7. The Public Representative states that Media Mail/Library Mail had the largest increase in cost coverage in FY 2024 at 39.9 percent, and Alaska Bypass had the largest decrease at 20.7. PR Comments at 13.

The Public Representative notes that attributable costs for Alaska Bypass increased by 18.3 percent in FY 2024, contributing to its reduced cost coverage and non-compensatory status. *Id.* at 14. As the Postal Service has represented to the Commission that Alaska Bypass' attributable costs are regulated and outside of its control, the Public Representative recommends the Postal Service carefully evaluate the prices for Alaska Bypass to ensure the product generates sufficient revenue to be compensatory in FY 2025. *Id.*

(3) Commission Analysis

The Package Services class had a cost coverage of 115.9 percent in FY 2024, an improvement from the 102.3 percent cost coverage achieved in FY 2023. *See* FY 2024 ACR at 25. This is driven by improved cost coverages for the BPM Flats (127.0 percent) and

[31] To see a more extensive accounting of Package Services cost coverages, see Library Reference PRC-LR-ACR2024-6.

Media Mail/Library Mail (129.6 percent) products in FY 2024 and was achieved despite cost coverage declines for BPM Parcels (100.8 percent) and Alaska Bypass (99.3 percent), with Alaska Bypass no longer covering its costs. *Id.*

The Commission issued CHIR No. 2 seeking additional information regarding cost coverage concerns related to Alaska Bypass. *See* CHIR No. 2. The Postal Service explains that the accrued costs for Alaska Bypass are largely not under its control as a result of Public Law 98-443, which, among other things, prevents the Postal Service from directly contracting for air service in Alaska and creates the Alaska Air Subsidy in which attributable costs are computed by making an adjustment to accrued costs (i.e., the AAF). *See* January 23 CHIR No. 2, question 5.a.i.

Table III-6 contains the volume, unit revenue, unit attributable cost, unit contribution, AAF, and cost coverage of Alaska Bypass for FY 2020-2024. As illustrated in Table III-6, Alaska Bypass cost coverage has been in decline since FY 2020.

Table III-6
Alaska Bypass Product Data, FY 2020–FY 2024

Fiscal Year	Volume (Millions)	Unit Revenue (Dollars)	Unit Attributable Cost (Dollars)	Unit Contribution (Dollars)	Alaska Adjustment Factor	Cost Coverage
FY 2020	1.3	$25.48	$17.25	$8.22	14.41%	147.6%
FY 2021	1.3	$26.10	$20.12	$5.99	17.06%	129.8%
FY 2022	1.3	$28.76	$21.15	$7.61	18.72%	136.0%
FY 2023	1.3	$31.19	$25.98	$5.21	20.12%	120.1%
FY 2024	1.2	$33.00	$33.22	$(0.23)	24.46%	99.3%

Source: Library Reference PRC-LR-ACR2024-6; January 23 Response CHIR No. 2, question 5.a.i.

As Table III-6 shows, the cost coverage for Alaska Bypass is a result of increases in unit attributable costs (27.9 percent) outpacing increases in unit revenue (5.8 percent). In other words, a singular unit of Alaska Bypass cost the Postal Service $7.24 more to send in FY 2024 than FY 2023 while it only saw increased unit revenue of $1.81. Attributable costs for Alaska Bypass are a function of accrued costs for Alaska Bypass multiplied by the AAF, a percentage that the Postal Service calculates each year.[32] The AAF has increased from 14.41 percent in FY 2020 to 24.46 percent in FY 2024, which explains the product's rising attributable costs and declining cost coverage. *See* January 23 Response to CHIR No. 2, question 5.a.i.

[32] This information is provided in Library Reference USPS-FY24-32, December 30, 2024, Excel file "CS14-Public-FY24.xlsx," tab "Alaska-Adjustment-Factor.

The Postal Service stresses Alaska Bypass costs are highly regulated and largely outside of its control. *Id.* To combat the declining cost coverage, the Postal Service states that they intend to recommend the Governors apply above average price increases in the next price change to Alaska Bypass to ensure that the cost coverage exceeds 100 percent. FY 2024 ACR at 25-26.

The Commission finds that the FY 2024 revenue for Alaska Bypass was not sufficient to cover its attributable costs. Although the Postal Service explains that accrued costs for Alaska Bypass Service are not largely under the Postal Service's control, the Commission encourages the Postal Service to evaluate costs in an effort to improve Alaska Bypass cost coverage. The Commission reminds the Postal Service that under 39 C.F.R. § 3030.221, the Postal Service must increase the prices of Alaska Bypass by at least 2 percentage points above the class average in each Market Dominant rate adjustment affecting Package Service through the issuance of the FY 2025 ACD.

b. Other Issues

The Commission notes that BPM Parcels saw a cost coverage decline, going from 118.9 percent in FY 2023 to 100.8 percent in FY 2024, which means the product is close to reaching non-compensatory status. January 23 Response to CHIR No. 2, question 5.b. The Postal Service attributed this decline to unit revenue increasing only 6.5 cents while unit costs increased by 27.5 cents. *Id.* The Postal Service notes that increases in BPM Parcel costs were mainly due to new city and rural carrier cost models that attribute more costs to parcel-shaped volume. *Id.* Nonetheless, the Commission urges the Postal Service to monitor rising costs for BPM Parcels in order to prevent the product from becoming non-compensatory in future fiscal years.

The Commission previously directed the Postal Service to include the percentage of Media Mail/Library Mail volume sent by air transportation in FY 2024 in their discussion of the Package Services class in the FY 2024 ACR. FY 2023 ACD at 32. The Commission directed that if the number was greater than zero, the Postal Service must explain why that occurred. *Id.* The Postal Service notes that in FY 2024, the percentage of Media Mail/Library Mail by Air was 2.03 percent, compared to 5.07 percent in FY 2023 and approximately 3 percent in FY 2022. *See* FY 2024 ACR at 26. The Postal Service states it reorganized the transportation and sortation of Media Mail/Library Mail.[33] The Commission commends the Postal Service for working to increase revenues and decrease costs for Media Mail/Library Mail and encourages the Postal Service to continue pursuing such initiatives to ensure that the product remains compensatory.

[33] *See* Docket No. ACR2023, Responses of the United States Postal Service to Questions 1-11, 13, and 15-22 of Chairman's Information Request No. 9, February 9, 2024, question 11.a. (the Postal Service stated that due to data retention limits, data of the percentage of Media Mail/Library Mail volume that was shipped using air transportation in FY 2021 through FY 2023 was not available to calculate the percentage for FY 2021). *See also id*. question 11.b. (the Postal Service stated it planned to move all Media Mail/Library Mail packages by surface transportation).

D. Fully Compensatory Classes

1. First-Class Mail

a. FY 2024 Results

As a class, First-Class Mail covered its attributable costs in FY 2024 and had an overall cost coverage of 241.6 percent, an increase compared to the 211.2 percent cost coverage in FY 2023. As in FY 2023, each product within First-Class Mail covered its costs for FY 2024. Table III-7 provides the cost coverage for each First-Class Mail product as well as for the overall class for the last 5 fiscal years.

Table III-7
First-Class Mail Cost Coverage, FY 2020–FY 2024

Fiscal Year	First-Class Mail Overall	Single-Piece Letters/Postcards	Presort Letters/Postcards	Flats	Outbound Single-Piece International	Inbound Letter Post
FY 2020	**197.9%**	163.3%	281.0%	100.2%	128.3%	83.3%
FY 2021	**193.7%**	148.9%	279.9%	98.9%	152.8%	122.2%
FY 2022	**210.7%**	154.4%	307.0%	108.8%	171.1%	128.0%
FY 2023	**211.2%**	158.0%	296.7%	113.5%	170.2%	129.1%
FY 2024	**241.6%**	178.0%	336.4%	124.3%	164.5%	136.0%

Source: Library Reference PRC-LR-ACR2024-3.

b. Comments

The Greeting Card Association (GCA) states that the rates for Single-Piece Letters have increased 21.7 percent since FY 2022. GCA Comments at 5. It contends that these rate increases, coupled with "substantially worse[]" service, amount to an additional price increase that renders the rates excessive. *Id.* at 5-6.

NAPM states that, regarding First-Class Mail Flats, "nearly half . . . mailed in FY 2024 were mailed at Single Piece (49.8 [percent]) rates versus being presorted." NAPM Comments at 13. It suggests that the Postal Service work with industry groups to "identify existing barriers and potential incentives that could be developed to move more FCM Flats into presort and reduce operating costs for those flats." *Id.*

Pitney Bowes credits the Postal Service for "the meaningful policy-based pricing differential for First-Class Mail Metered Letters" because it "encourages the use of metered letters, a more secure and efficient payment channel." Pitney Bowes Comments at 4. According to Pitney Bowes, this "benefits small and mid-sized businesses whose mailing and shipping volume is growing with their business" and "benefits commercial mailers because the metered mail rate serves as the benchmark for Presort letters." *Id.*

PostCom notes that the cost coverage for First-Class Mail Presort Letters exceeded 335 percent, which it maintains is an example that the Postal Service has raised rates on certain Market Dominant products "at an unprecedented pace . . . ." PostCom Comments at 2-3. While PostCom notes that cost coverage for Flats has improved, it concludes that this is "the result of the Postal Service's changes in costing methodology and practices rather than reflective of improved efficiency." *Id.* at 3.

The Public Representative finds that First-Class Mail and each of its products covered their attributable costs and that the class contributed $15.0 billion to institutional costs in FY 2024. PR Comments at 4. The Public Representative states that First-Class Mail volume decreased at a slower rate in FY 2024 than it did in FY 2023, 3.8 percent to 5.9 percent, respectively. *Id.* The Public Representative notes that Presort Cards was the lone product within the class that had a volume increase for FY 2024 and that the volume of Presort Cards has fluctuated from FY 2021 through FY 2023. *Id.* at 5. The Public Representative indicates that he is "encouraged by the increases in cost coverage for First-Class Mail, particularly the across-the-board reductions in attributable costs." *Id. at 7.* He cautions, however, that he cannot determine "which, if any of the Postal Service's initiatives are the primary cause of this outcome[,]" which makes it difficult for him to predict how specific changes will affect future volume, which also depends on customer satisfaction. *Id.*

Taxpayers Protection Alliance (TPA) suggests that the Postal Service should do "far more to ensure that [F]irst-[C]lass [M]ail . . . is not cross-subsidizing packages." TPA Comments at 2. It asserts that the Postal Service's methodology for calculating attributable costs for Competitive Products keeps them "artificially low," which it states will lead to underpriced Competitive Products that are cross subsidized by First-Class Mail. *Id.*

The Postal Service argues that the comments made by PostCom, GCA, and TPA "do not address matters of Postal Service compliance." Postal Service Reply Comments at 1-2.

c. Commission Analysis

The Commission finds that all First-Class Mail products covered their attributable costs in FY 2024. Overall, cost coverage improved from FY 2023 and revenues for most First-Class Mail products increased in FY 2024.[34] Additionally, volumes for all First-Class Mail pieces declined at a slower rate than in FY 2023, and volume for Presort Postcards increased from FY 2023.[35]

[34] Revenues for Single-Piece Letters, International Outbound Single-Piece letters, and Inbound Letter Post did not increase. *Compare* Library Reference USPS-FY24-1, Excel file "Public_FY24CRAReport.xlsx," tab "Cost 1," cells: D11:D19, *with* Docket No. ACR2023, Library Reference USPS-FY23-1, folder "FY22.1.PCRA.Files," Excel file "Public_FY23CRAReport.xlsx," tab "Cost 1," cells D11:D19, R11:R19.

[35] *See* Library Reference USPS-FY24-1, Excel file “Public_FY24CRAReport.xlsx,” tab “Volume 1,” cell D14:D22; Docket No. ACR2023, Library Reference USPS-FY23-1, folder “FY23.1.PCRA.Files,” Excel file “Public_FY23CRAReport,” tab “Volume 1,” cells D14:D22; Docket No. ACR2022, Library Reference USPS-FY22-1, December 29, 2022, folder “USPS.FY22.1.CRA.Files,” Excel file “Public_FY22CRAReport.xlsx,” tab “Volume 1,” cells D14:D22.

Regarding GCA's contention that First-Class Mail rates are excessive, the Commission concludes that the recent rate adjustments complied with applicable law, which currently provides for both density-based rate authority and retirement-based rate authority above the CPI-U price cap.[36] Further, regarding PostCom's discussion of First-Class Mail Presort Letters and TPA's contention that First-Class Mail is "cross-subsidizing packages[,]" the Commission notes that while it is true that First-Class Mail has a high cost coverage and therefore, contributes more to institutional costs on a per piece basis than most other classes, the Postal Service is in compliance with its pricing authority with regard to First-Class Mail. The Commission is currently reviewing the Market Dominant ratemaking system and comments addressing the system of regulating Market Dominant rates itself are more appropriate for that docket. *See* Order No. 7032.

The Commission encourages the Postal Service to consider the concerns expressed by commenters and the Public Representative regarding whether rate increases have potential effects on volume and the potential effects of volume declines on its costs and efficiency measures. The Commission further encourages the Postal Service to work with industry participants to reduce costs.

2. Special Services

a. FY 2024 Results

As a class, Special Services covered its attributable cost in FY 2024 and had an overall cost coverage of 230.7 percent, which is a substantial increase from FY 2023’s cost coverage of 163.0 percent. Table III-8 contains the cost coverages of a selection of key products from the 10 total Special Services products as well as the overall class cost coverage for the last 5 fiscal years. All 10 Special Services products covered their attributable costs in FY 2024. Library References PRC-LR-ACR2024-7 and PRC-LR-ACR2024-NP2.

[36] *See* Order No. 5763; Order No. 6814; Order No. 7155.

Table III-8
Special Services Cost Coverage, FY 2020–FY 2024

Fiscal Year	Special Services Overall	Ancillary Services	International Ancillary Services	Address Management Services	Money Orders	Post Office Box Service	Stamp Fulfillment Services
FY 2020	**143.7%**	135.3%	94.8%	266.9%	97.7%	228.6%	142.7%
FY 2021	**141.0%**	133.7%	127.6%	318.8%	88.5%	218.9%	136.6%
FY 2022	**155.5%**	146.4%	204.9%	593.6%	99.2%	236.9%	127.7%
FY 2023	**163.0%**	146.4%	183.5%	1055.0%	133.1%	231.9%	179.2%
FY 2024	**230.7%**	243.0%	167.7%	1303.9%	141.7%	233.6%	208.3%

Source: Library Reference PRC-LR-ACR2024-7.

b. Commission Analysis

As Table III-8 shows, the cost coverage for the Special Services class in FY 2024 was the highest it has been in the last 5 fiscal years, reflecting a trend of class cost coverage improvement year-over-year for most years. Table III-8 further illustrates that cost coverages for listed Special Services products are higher in FY 2024 compared to FY 2020, and that all but one listed product (International Ancillary Services) had an increase in cost coverage between FY 2023 and FY 2024.

The substantial increase in cost coverage between FY 2023 and FY 2024 can be partially attributed to notable improvements in Certified Mail and Money Orders. Certified Mail, an Ancillary Service, saw its cost coverage greatly improve due in large part to a 55.1 percent decline in delivery unit costs, which was the result of an operations-related processing change that shifted letter-shaped Certified Mail to processing in the normal letter stream as opposed to being sorted into a separate bin and taken to manual sortation. January 23 Response to CHIR No. 2, question 6.c.ii. Certified Mail, with its revenue ($708.7 million) being more than half of Ancillary Services' and approximately 35.5 percent of Special Services' overall revenue, has an outsized effect on the class when it experiences substantial changes in costs or revenue as it did in FY 2024. FY 2024 ACR at 28; Table III-8.

As shown in Table III-8, Money Orders did not cover its attributable costs between FY 2020 and FY 2022. In FY 2024, Money Orders covered its attributable costs with a cost coverage of 141.7 percent, a 44-percentage point improvement since FY 2020 and a notable improvement over FY 2023’s cost coverage of 133.1 percent. The Postal Service attributes this improvement to recent price increases for the product. FY 2024 ACR at 28.

The Commission finds that all Special Services products covered their attributable costs in FY 2024. The Commission encourages the Postal Service to continue to seek ways to improve the cost coverage of the Special Services class.

CHAPTER IV. COMPETITIVE PRODUCTS

A. Introduction

In this chapter, the Commission reviews Competitive products to determine whether any rates or fees in effect during FY 2024 were not in compliance with 39 U.S.C. § 3633, which:

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

The principal FY 2024 findings for Competitive products are:

- Total revenues—$33.838 billion for Competitive products exceeded incremental costs—$23.696 billion. Thus, Competitive products were not subsidized by Market Dominant products during FY 2024, thereby satisfying 39 U.S.C. § 3633(a)(1).
- Revenues for 10 Competitive products did not cover attributable costs and therefore did not comply with 39 U.S.C. § 3633(a)(2). The Competitive products that did not cover attributable costs are International Direct Sacks – Airmail M-Bags and Inbound Express Mail Service (EMS), as well as eight domestic NSAs: Priority Mail Express, Priority Mail & USPS Ground Advantage Contract 36, Priority Mail & USPS Ground Advantage Contract 312, Priority Mail & USPS Ground Advantage Contract 148, Priority Mail Express & USPS Ground Advantage Contract 1, Priority Mail Contract 747; Priority Mail Contract 774; Priority Mail & Parcel Select Contract 4; and Priority Mail & Parcel Select Contract 9.
- Three components of Competitive International products did not cover their costs, even though the overarching products as a whole did cover their costs. Inbound Competitive International Registered Mail, which is included in the Competitive International Ancillary Services product, did not cover its attributable costs. Additionally, two international negotiated service agreements (NSAs) included in the Global Expedited Package Services – Non-Published Rates 15 product did not cover their attributable costs.
- In FY 2024, the total contribution made by Competitive products collectively to institutional costs was $10.141 billion or 23.4 percent of total institutional costs, which surpasses the formula-derived 9.9 percent requirement. Collectively, Competitive products satisfied the appropriate share requirement of 39 U.S.C. § 3633(a)(3) during FY 2024.

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

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

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

1. Comments on Cross-Subsidy Provision

Pitney Bowes states that "the public ACR2024 data confirm that the Postal Service's competitive products fully comply with all applicable pricing requirements." Pitney Bowes Comments at 3. Additionally, Pitney Bowes states that the FY 2024 data reaffirm "that the Postal Service's competitive products business is fully compliant with all relevant statutory and regulatory pricing requirements." *Id.* at 4. Pitney Bowes also states that "Competitive products are not being subsidized and there is no evidence of anticompetitive pricing or unfair competition." *Id.*

The Public Representative notes that the Competitive products' group revenue exceeded their incremental costs and concludes that Market Dominant products did not cross subsidize Competitive products in FY 2024. PR Comments at 16. None of the commenters offer evidence to suggest that the incremental costs of Competitive products exceeded their revenues in FY 2024. *See id.*

2. Commission Analysis

In FY 2024, the incremental costs of Competitive products were $23.696 billion and the total revenues of Competitive products were $33.838 billion. Accordingly, in FY 2024, revenues from Competitive products exceeded incremental costs. FY 2024 ACR at 31.

The Commission finds Competitive products satisfied 39 U.S.C. § 3633(a)(1) in FY 2024.

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

39 U.S.C. § 3633(a)(2) requires that the revenue for each Competitive product cover its attributable cost. Below, the Commission discusses the FY 2024 financial performance for four separate Competitive product groupings:

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

1. Competitive Domestic Products with Rates of General Applicability

In FY 2024, there were ten Competitive domestic products with rates of general applicability:[37] Priority Mail Express; Priority Mail; Parcel Select; USPS Ground Advantage; Address Enhancement Services; Greeting Cards, Gift Cards, and Stationery; Competitive Ancillary Services;[38] Premium Forwarding Service; Post Office Box Service; and Shipping and Mailing Supplies.

The Commission finds that, in FY 2024, every Competitive domestic product with rates of general applicability covered its attributable cost[39] *and, thereby, satisfied the statutory requirements of 39 U.S.C. § 3633(a)(2).*

2. Competitive Domestic Products Consisting of NSAs

As shown below in Figure IV-1, in FY 2024, there were 1,205 Competitive domestic NSAs.[40] Pursuant to 39 U.S.C. § 3633(a)(2), the Commission finds that all but eight Competitive domestic NSAs covered their attributable costs in compliance with this statutory requirement. Five of the non-compliant Competitive domestic NSAs have been terminated. FY 2024 ACR at 32. Regarding the remaining three non-compliant Competitive domestic NSAs, the Postal Service states that one has been reverted to published prices, one shipped only one mailpiece during FY 2024 and is being monitored, and one contract will soon pay

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

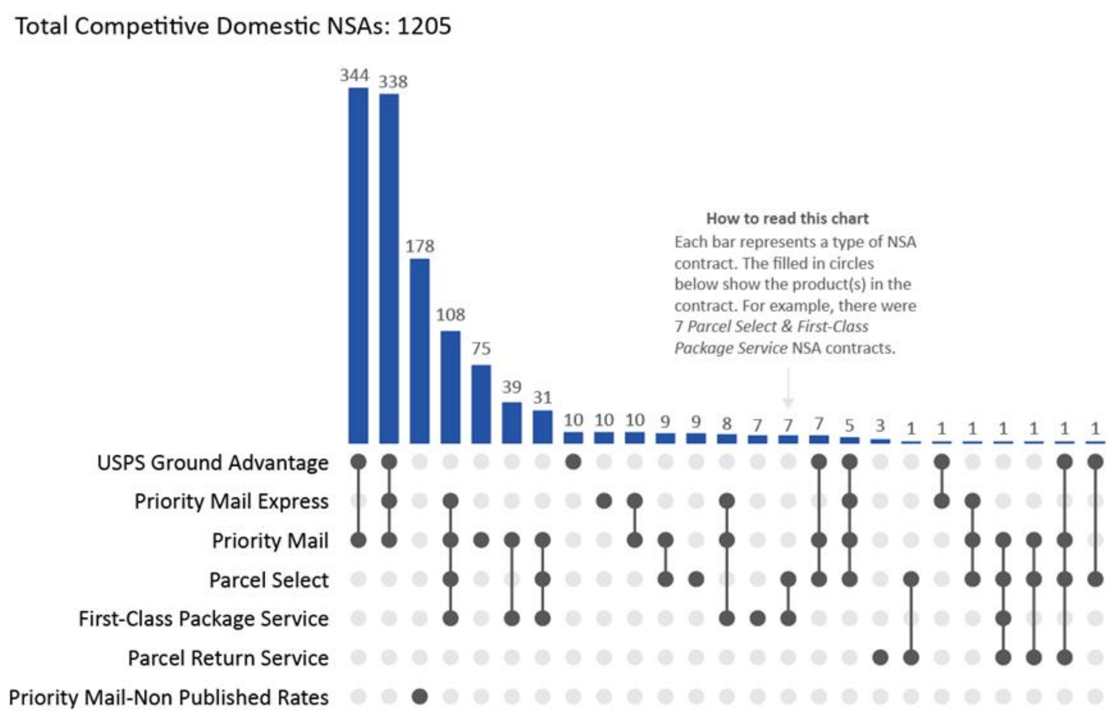
[38] The Competitive Ancillary Services product consists of the following services: Adult Signature, Package Intercept Service, Premium Data Retention and Retrieval Service, and Label Delivery Service. *See Mail Classification Schedule* (MCS) § 2645, available at *https://www.prc.gov/mail-classification-schedule*.

[39] *See* Library Reference USPS-FY24-1.

[40] The 1,205 NSAs include agreements that were extended via amendment. Each domestic NSA is a separate product, except for Non-Published Rates products, which can include multiple NSAs.

higher prices due to its annual price increase and the Postal Service will continue to monitor its future cost coverage on a quarterly basis. *Id.*

Figure IV-1
Competitive Domestic NSA Products in Effect During FY 2024



Source: Library Reference USPS-FY24-NP27.

Although 25 additional agreements had individual components that failed to cover attributable costs, each agreement covered its total attributable costs. Additionally, the Postal Service asserts that "over half of these contracts' underwater components just missed covering their costs by less than $5,000." *Id.* The Public Representative noted that "in the last year alone, the Postal Service's number of NSA contracts has exploded" and advised that "[t]he Postal Service must continue to be vigilant over the performance of so many contracts to ensure that each one covers its total costs." PR Comments at 17.

The Commission commends the Postal Service for timely filing quarterly NSA reports in FY 2024, which assisted the Commission in completing an efficient review during the ACD. However, the Commission is concerned about the growing number of NSAs that fail to cover costs or have a component that fails to cover costs and concurs with the Public Representative that the Postal Service should subject NSAs to more vigilant monitoring.

The Commission finds that Priority Mail Contract 747; Priority Mail Contract 774; Priority Mail & Parcel Select Contract 4; Priority Mail & Parcel Select Contract 9; Priority Mail & USPS Ground Advantage Contract 148; Priority Mail & USPS Ground Advantage Contract 312; Priority Mail Express & USPS Ground Advantage Contract 1; and Priority Mail Express, Priority Mail & USPS Ground Advantage Contract 36 were not in compliance with 39 U.S.C. § 3633(a)(2) in FY 2024. No further action is required for the six non-compliant contracts that have either been terminated or reverted to published prices. The Commission directs the Postal Service to monitor Priority Mail & USPS Ground Advantage Contract 148 and Priority Mail Express & USPS Ground Advantage Contract 1, and to negotiate higher prices or terminate the contracts if necessary to prevent future noncompliance. Additionally, the Commission directs the Postal Service to report contract-specific volumes, revenue, costs, and cost coverage for Priority Mail Express & USPS Ground Advantage Contract 1 on a quarterly basis for the duration of the contract. Each report shall be filed in the related dockets within 60 days of the completion of each quarter of the fiscal year. The Commission directs the Postal Service to continue its reporting for Priority Mail & USPS Ground Advantage Contract 148.

3. Other Issues for Competitive Domestic Products

As part of the Greeting Cards, Gift Cards, and Stationery product, the Postal Service initiated a pilot in FY 2021 to allow retail customers to use payroll and business checks to purchase stored value Gift Cards. In the FY 2022 ACD, the Commission reminded the Postal Service that the Commission regulates what products may be offered and controls the addition and removal of products through the *Mail Classification Schedule* (MCS) and that future changes that have an impact on a product's use or classification should be filed with the Commission. FY 2022 ACD at 98. The Commission established Docket No. MC2022-60 to consider this pilot and directed the Postal Service to file quarterly reports on the pilot in that docket. The Postal Service has filed the required reports. Despite lack of sales, the pilot remains active.[41] As long as the pilot remains in effect, the Commission will continue to monitor the status of the program.

The Commission directs the Postal Service to continue to report quarterly information on the Gift Card pilot. The report shall be filed in Docket No. MC2022-60 and include information on volume, revenue, and costs (which should include development costs, as well as the costs of conducting training, labor costs associated with the retail transactions, and supply costs). In addition, the report must include any plans for modifications or other future plans of the pilot, including any plans for its termination.

[41] Between September 2021 and March 2022, a total of seven Gift Cards were purchased under the Pilot Program, generating a total fee revenue of $41.65. No sales have occurred since FY 2022, Quarter Two. FY 2022 ACD at 94.

4. Competitive International Products with Rates of General Applicability

Eleven Competitive international mail products have rates and fees of general applicability in FY 2024: Outbound International Expedited Services; Outbound Priority Mail International; International Priority Airmail (IPA); International Surface Air Lift (ISAL); Outbound Single-Piece First-Class Package International Service; Inbound Letter Post Small Packets and Bulky Letters; Inbound Parcel Post (at Universal Postal Union (UPU) rates); International Direct Sacks—Airmail M-Bags (M-Bags); International Money Transfer Service (IMTS)—Outbound;[42] IMTS—Inbound;[43] and International Ancillary Services (IAS).

The Commission finds that only one of these products, M-Bags, did not cover its attributable cost and did not satisfy 39 U.S.C. § 3633(a)(2).[44] However, although IAS covered its attributable costs, one of its sub-components, Inbound Competitive International Registered Mail, did not cover its attributable cost in FY 2024. FY 2024 ACR at 34.

Only the Public Representative commented on Competitive international products with rates of general applicability or consisting of NSAs. The Public Representative's comments agree with what the Postal Service states in the ACR and do not contain new information. *See* PR Comments at 17. Therefore, the Commission does not discuss any comments below.

a. INTERNATIONAL DIRECT SACKS—AIRMAIL M-BAGS

(1) FY 2024 Results

International Direct Sacks—Airmail M-Bags (M-Bags) consist of Outbound International Direct Sacks—Airmail M-Bags and Inbound air and surface International Direct Sacks—M-

[42] IMTS—Outbound included two components: hardcopy (or paper) money orders and electronic money transfers available through the Sure Money (DineroSeguro) service. *See* Order No. 7175 at 2-3. Sure Money (DineroSeguro) was removed from the MCS effective July 14, 2024. *Id.* at 16. The remaining paper money orders component was removed from the MCS effective October 1, 2024, and therefore the entire IMTS—Outbound product was removed from the MCS effective October 1, 2024. *See* Order No. 7352 at 9.

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

[44] *See* FY 2024 ACR at 33. *See also* Library Reference USPS-FY24-NP2, December 30, 2024.

Bags.[45] In FY 2024, for the first time in over a decade,[46] M-Bags did not cover its attributable cost. In fact, cost coverage decreased substantially from FY 2023 to FY 2024.[47]

The Postal Service notes that relative to FY 2023, in FY 2024 "there was an increase in costs, with a slight decrease in volume and revenue associated with [M-Bags]." FY 2024 ACR at 33. The Postal Service states that "[t]he primary source of increased costs was mail processing costs for outbound M-bags which was likely caused by sampling variability of a small volume product." *Id.*

In addition, under seal, the Postal Service provides further explanations for the increased cost in mail processing caused by sampling variability of M-Bags as a declining small volume product, and the corresponding increase in indirect costs which contributed to M-Bags being non-compensatory. *See* January 23 Response to CHIR No. 2, question 10.

The Acts of the 4th Extraordinary Congress (Riyadh 2023) of the UPU made M-Bags an optional service rather than a mandatory service, effective January 1, 2025.[48] Many countries are no longer offering it as a product.[49] However, the Postal Service states it will continue to offer M-Bags as an optional service in Calendar Year (CY) 2025 due to customer demand for it. January 23 Response to CHIR No. 2, question 11.b. The Postal Service further states that it “plans to make M-Bags compensatory in FY 2025 and beyond by raising prices as needed to ensure M-Bags are compensatory.” *Id.*

(2) Commission Analysis

M-Bags have generally covered its attributable cost in prior years.[50] Its failure to cover cost in FY 2024 was largely due to mail processing cost increase, exacerbated by the sampling variability of a small volume product experiencing yearly losses in density. With many countries eliminating M-Bags as a product offering starting in CY 2025, its volume is

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

[46] M-Bags has been compensatory since FY 2013. *See* FY 2013 ACD at 84; FY 2014 ACD at 75; FY 2015 ACD at 84; FY 2016 ACD at 83; FY 2017 ACD at 86; FY 2018 ACD at 104; FY 2019 ACD at 77; FY 2020 ACD at 73; FY 2021 ACD at 81; FY 2022 ACD at 75; FY 2023 ACD at 63.

[47] *See* Library Reference PRC-LR-ACR2024-NP2, Excel file “PRC-LR-ACR2024-NP2 UNIFIED ICRA.xlsx,” tab “ACR2024 Intl Products;” Docket No. ACR2023, Library Reference PRC-LR-ACR2023-NP2, March 28, 2024, Excel file “PRC-LR-ACR2023-NP2 UNIFIED ICRA.xlsx,” tab “ACR2023 Intl Products.”

[48] *See* Universal Postal Convention (UPU Convention), Decisions of the 2023 Riyadh Extraordinary Congress, Berne 2024. UPU Convention at 27 (deleting M-Bags as a mandatory basic service in Article 17, paragraphs 2.4 and 3.3). UPU Convention at 28 (including M-Bags as an optional supplementary service in Article 18, paragraph 2.9). UPU Convention at 29 (stating that the effective date for changes relating to M-Bags is January 1, 2025), available at *https://www.upu.int/UPU/media/upu/files/aboutUpu/acts/07-actsAndOtherDecisions2021AbidjanCongress/CNG-ACTS%e2%94%80Doc-0-(5).pdf*.

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

[50] For example, M-Bags was compensatory in FY 2013 through FY 2023. *See* FY 2013 ACD at 84; FY 2014 ACD at 75; FY 2015 ACD at 84; FY 2016 ACD at 83; FY 2017 ACD at 86; FY 2018 ACD at 104; FY 2019 ACD at 77; FY 2020 ACD at 73; FY 2021 ACD at 81; FY 2022 ACD at 75; FY 2023 ACD at 63.

expected to decrease further and any future increase in cost will likely lead to the product being non-compensatory in FY 2025, although this may be mitigated with a rate increase for Outbound International Direct Sacks—Airmail M-bags. There is the possibility for the Postal Service to request approval from the Commission for a future price increase for Outbound International Direct Sacks—Airmail M-bags, but this is only one component of the M-Bags product. The rate for Inbound air and surface International Direct Sacks—M-bags is set by the UPU. This rate will increase approximately 2.8 percent in CY 2025.[51]

The Commission finds that International Direct Sacks—Airmail M-Bags was not in compliance with 39 U.S.C. § 3633(a)(2) in FY 2024. The Commission directs the Postal Service to request a price increase for Outbound International Direct Sacks—Airmail M-bags that more adequately reflects the cost of this component of the International Direct Sacks—Airmail M-Bags product in its next request to adjust prices of general applicability for Competitive products. The Commission also encourages the Postal Service to assess the elasticity of demand for the product against other impeding factors that may potentially make the product cost prohibitive.

5. Competitive International Products Consisting of NSAs

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

At the request of the Postal Service, and to address administrative concerns involving product reporting and classification on the Competitive product list, the Commission permitted the grouping of functionally equivalent international NSAs with the express understanding that each NSA within a product must cover its attributable cost. *See, e.g.,* Order No. 601 at 5. Functionally equivalent international NSAs are collectively evaluated as a product for compliance with 39 U.S.C. § 3633(a)(2).

The Postal Service reports volume, revenue, and cost data for each Competitive international NSA comprising Competitive international products with activity, and separately lists Competitive international NSAs with no activity during the fiscal year. *See* Library Reference USPS-FY24-NP2. For FY 2024, the Postal Service provides data for 252 international NSAs, 230 of which include negotiated rates for outbound mail and 22 of which include negotiated rates for inbound mail.[52]

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

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[51] Universal Postal Convention, Article 28.7, Terminal dues. General provisions, available at *https://www.upu.int/UPU/media/upu/files/aboutUpu/acts/02-actsGeneralRegulations/11_Convention_1.pdf*.

[52] Library Reference USPS-FY24-NP2; Library Reference PRC-LR-ACR2024-NP2. The Commission counts each serial-numbered agreement included under the Global Expedited Package Services—Non-Published Rates (GEPS—NPR) products as one NSA in this summary value.

a. COMPETITIVE OUTBOUND INTERNATIONAL PRODUCTS CONSISTING OF NSAS

(1) FY 2024 Results

Competitive outbound international products with negotiated rates are included on the Competitive product list. Under outbound NSAs, mailers must commit to tendering specified minimum volume, revenue, or both on an annual basis in exchange for reduced rates from the Postal Service.[53] Additional postal services may be available for products with rates and fees not of general applicability.[54] Figure IV-2 shows the FY 2024 product category for each of these products for which the Postal Service reports FY 2024 financial results.

Figure IV-2
Competitive Outbound International Products by Category, FY 2024[55]

Source: Library Reference USPS-FY24-NP2.

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

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

[55] Figure IV-2 includes outbound international products by product category for which the Postal Service reports financial results, for which there is a total of 186 agreements. It also includes 44 agreements with no recorded activity.

The Postal Service reports financial results for each outbound international NSA within these products. In FY 2024, although all Competitive international products consisting of NSAs covered their attributable costs, two outbound contracts included within the Global Expedited Package Services—Non-Published Rates 15 (GEPS—NPR 15) product in Docket No. CP2020-145 did not cover their attributable costs. FY 2024 ACR at 37. The Postal Service notes that one of the contracts expired on May 31, 2024. *Id.* According to the Postal Service, the other NSA, scheduled to expire on January 31, 2025, "had negative revenue resulting from a refund during a transition from one contract period to the next but was subsequently impacted by the customer no longer mailing pursuant to an international NSA . . ." *Id.* The Postal Service states that it is no longer issuing contracts to be included in the GEPS—NPR 15 product. *Id.*

(2) Commission Analysis

The Commission acknowledges that both Competitive outbound international NSAs that did not cover their attributable costs in FY 2024 have now expired, and the Postal Service has ceased issuing contracts under the GEPS—NPR 15 product.

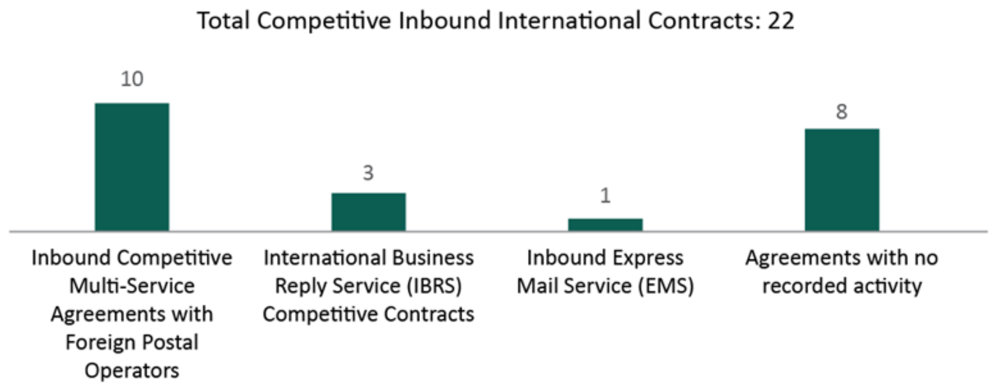
The Commission concludes that Competitive outbound international products consisting of NSAs satisfied 39 U.S.C. § 3633(a)(2), except for two Competitive outbound international NSAs that did not cover their attributable costs.[56] *Both of these NSAs have now expired, and no additional contract is expected to be included under GEPS—NPR 15 in the future. The Commission continues to strongly encourage the Postal Service to enforce the minimum volume and/or revenue requirement in each NSA and to seriously consider the viability of certain outbound NSAs whose projected volume and cost coverage call into question whether their financial performance will be compensatory given the current volatility in cost and losses in economies of density.*

b. COMPETITIVE INBOUND INTERNATIONAL PRODUCTS CONSISTING OF NSAs

Competitive inbound international products with negotiated rates are included on the Competitive product list. Inbound international agreements entered into by the Postal Service and one or more foreign postal operators (FPOs) provide inbound services and prices that are available only to mailers meeting defined eligibility requirements for mail preparation, content, size, and weight limitations. Figure IV-3 shows the product category for each inbound international product for which the Postal Service reports FY 2024 financial results.

[56] The Commission notes that both NSAs were serial-numbered agreements within the GEPS—NPR 15 product. Although these two NSAs did not cover their attributable costs, the GEPS—NPR 15 product as whole covered its attributable cost.

Figure IV-3
Competitive Inbound International Products by Category, FY 2024[57]



Source: Library Reference USPS-FY24-NP2.

The Postal Service reports financial results for each inbound Competitive NSA within these products. In FY 2024, each inbound Competitive international product and each inbound Competitive NSA within these products covered its attributable cost, except for Inbound EMS.

(1) Inbound EMS FY 2024 Results

In FY 2024, Inbound EMS[58] did not cover its attributable cost. FY 2024 ACR at 36. This product has now been non-compensatory for the second consecutive year after being compensatory for many years prior to FY 2023.[59] The Postal Service states that the product "experienced higher unit revenue and lower unit costs for delivery and purchased transportation," and although it remained non-compensatory, it had "increased cost coverage and less negative contribution in FY 2024, as compared to FY 2023." FY 2024 ACR at 36. The Postal Service states that in response to the Commission's directive in the FY 2023 ACD, it requested, and the Commission approved an increase in prices for Inbound EMS, effective January 1, 2025.[60]

[57] Figure IV-3 includes inbound international products by product category for which the Postal Service reports financial results, for which there is a total of 14 agreements. For the remaining 8 inbound international NSAs, the Postal Service reports no activity. The Commission noted some duplicates in the number of agreements with no activity. *See* Library Reference USPS-FY24-NP2.

[58] Inbound EMS are Inbound Express Mail Services offered pursuant to negotiated service agreements. Inbound EMS service is reliable, high-speed and available from most countries. *See* MCS § 2515.6.

[59] Prior to FY 2023, Inbound EMS was compensatory in FY 2018 through FY 2022. *See* FY 2018 ACD at 110; FY 2019 ACD at 82-84; FY 2020 ACD at 84; FY 2021 ACD at 93; FY 2022 ACD at 88. Inbound EMS was non-compensatory for the first time in recent history in FY 2023. *See* FY 2023 ACD at 77.

[60] *See id.* (citing FY 2023 ACD at 79; Order No. 7432); *see also* Order No. 8423.

In response to the Commission's directives in FY 2023 ACD, the Postal Service provided under seal a progress report to detail its efforts to identify and fix issues impeding it from being able to collect full remuneration for Inbound EMS in accordance with the UPU EMS Pay-for-Performance Plan.[61] In addition, the Postal Service also provides under seal in the FY 2024 ACR an update to the report filed in Docket No. ACR2023 Sixth Response, as well as all available EMS report card results for FY 2024 and the UPU EMS Pay-for-Performance Plans for CY 2023 and CY 2024.[62]

(2) Commission Analysis

The Commission's concern in the FY 2023 ACD that Inbound EMS's "non-compensatory nature in FY 2023 raises serious questions about whether it will be compensatory in FY 2024 as the Postal Service also did not increase its Inbound EMS rates for CY 2024" has since proven to be well-founded. FY 2023 ACD at 79. Although the Postal Service raised Inbound EMS rates effective January 1, 2025, the Commission is still concerned whether the product will be compensatory in FY 2025 considering its declining volumes with only modest decrease in unit cost.

Furthermore, the Commission continues to be concerned that in FY 2024 the Postal Service forfeited revenue for Inbound EMS for failing to meet certain requirements of the UPU EMS Pay-for-Performance Plans in CY 2023 and CY 2024. This forfeited revenue could have at least increased the cost coverage of Inbound EMS even if it would not have made the product compensatory. The Postal Service's track record with regard to this forfeited revenue raises further questions about whether the product will be compensatory in FY 2025. *See* January 23 Response to CHIR No. 2, question 12.a.

The Commission concludes that Competitive inbound international products consisting of NSAs satisfied 39 U.S.C. § 3633(a)(2), except for Inbound EMS that did not cover its attributable cost. The Commission finds that the Inbound EMS product was not in compliance with 39 U.S.C. § 3633(a)(2) in FY 2024.

The Commission acknowledges that the Postal Service increased the price of Inbound EMS effective January 1, 2025. Regardless of whether the Postal Service decides to increase its annual rates for Inbound EMS in the future or not, the Commission directs the Postal Service to file, for Commission approval each year, Inbound EMS rates for the following CY and related financial workpapers. These financial workpapers should demonstrate estimated cost coverage and incorporate the most recently available cost projections. They should be filed with the Commission for approval on or before August 16 each year in the event that new rates need to be communicated to the UPU by August 31.

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[61] *See* FY 2023 ACD at 79; Docket No. ACR2023, Sixth Response of the United States Postal Service to Commission Requests for Additional Information in the FY 2023 Annual Compliance Determination, September 24, 2024, question 4; FY 2024 ACR at 36-37.

[62] *See* FY 2024 ACR at 37; Library Reference USPS-FY24-NP30, folder "NP30 Sectn3-Inbound EMS," December 30, 2024.

Furthermore, the Commission directs the Postal Service to continue identifying and fixing issues that impede the Postal Service from being able to collect full remuneration for Inbound EMS in accordance with the UPU EMS Pay-for-Performance Plan, to file a report within 180 days of the issuance of this ACD on progress it is making to fix these issues, and to provide all available EMS report card results for FY 2025. The Commission also directs the Postal Service to file the applicable UPU EMS Pay-for-Performance Plans with its future annual filings in the ACR docket.

6. Other Issues for Competitive International Products

Inbound Competitive Registered Mail, a major sub-component of International Ancillary Services (IAS),[63] still did not cover its attributable cost in FY 2024. FY 2024 ACR at 34-36. The Commission maintains that compliance with 39 U.S.C. § 3633(a)(2) is evaluated at the product level (in this case, IAS, which did cover cost) not at the sub-component level. However, the Commission recognizes that continued attention to Inbound Competitive International Registered Mail is warranted because it singularly has been responsible for IAS being non-compliant in the past.[64]

In FY 2024 IAS barely covered cost[65] largely due to the improvement in the cost coverage of Inbound Competitive International Registered Mail, which had less negative contribution relative to FY 2023. The Commission has given much discussion to Inbound Competitive International Registered Mail in the ACDs over the years, and recognizes the Postal Service's efforts to improve the cost coverage of this sub-component.[66] In addition, the UPU scheduled rate increases, efforts by the Postal Service to incentivize FPOs to migrate registered volumes to the lower cost tracked offering, and the Postal Service's participation in other agreements for remuneration for inbound registered items should hopefully improve this sub-component's cost coverage in the future. *See* FY 2024 ACR at 34-35.

The Commission will continue to monitor the IAS product and its sub-component Inbound Competitive International Registered Mail in future ACDs.

[63] International Ancillary Services consist of International Certificate of Mailing, Inbound International Tracked Delivery Service, Competitive International Registered Mail (which further includes Outbound Competitive International Registered Mail and Inbound Competitive International Registered Mail), Outbound International Return Receipt, Outbound International Insurance, and Customs Clearance and Delivery Fee. *See* MCS § 2615. Inbound Competitive International Registered Mail accounts for most of IAS's revenue and attributable cost. *See* Library Reference PRC-LR-ACR2024-2, Excel file "PRC-LR-ACR2024-NP2 UNIFIED ICRA.xlsx," tab "ACR2024 Intl SpecServ Products," cell R42.

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

[65] *See* Library Reference PRC-LR-ACR2024-2, Excel file "PRC-LR-ACR2024-NP2 UNIFIED ICRA.xlsx," tab "ACR2024 Intl SpecServ Products," cell R49.

[66] *See*, *e.g.*, FY 2023 ACD at 70-72; FY 2022 ACD at 80-83; FY 2021 ACD at 86-88.

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

39 U.S.C. § 3633(a)(3) requires the Commission to "ensure that all competitive products collectively cover what the Commission determines to be an appropriate share of the institutional costs of the Postal Service." The appropriate share represents a minimum contribution level, functioning as a floor for all Competitive products collectively. Pursuant to the formula-based approached approved in Docket No. RM2017-1,[67] the Commission determined in the FY 2022 ACD that the appropriate share for FY 2024 would be 9.9 percent. FY 2022 ACD at 91-93.

1. Comments on Appropriate Share Contribution Provision

The Postal Service states that the total Competitive product contribution for FY 2024 was $10.141 billion, or 23.4 percent of total institutional costs, an amount that complies with the requirements of 39 U.S.C. § 3633(a)(3). FY 2024 ACR at 38. The Postal Service notes that Competitive product contribution to institutional costs in FY 2024 declined relative to FY 2023 (by approximately 8.8 percentage points). *Id*. at 8. The Postal Service attributes this to an increase in cost attribution to Competitive products, primarily due to two costing methodology changes that the Commission approved in FY 2024 having to do with city carrier street time and rural carrier compensation. *Id*. n.20. At the same time, total institutional costs also increased in FY 2024, driven by increases in workers' compensation and benefits costs, as well as the effects of the costing methodology changes referred to above. *Id.* The combined effect of the increase in cost attributed to Competitive products and the increase in total institutional costs resulted in Competitive products' calculated contribution to institutional costs being lower than in previous years. *Id*. at 8-9.

The Public Representative and Pitney Bowes both concur that Competitive products were in compliance with 39 U.S.C. § 3633(a)(3) for FY 2024. PR Comments at 18; Pitney Bowes Comments at 3-4.

TPA, while not disputing that Competitive products were in compliance with 39 U.S.C. § 3633(a)(3), nevertheless maintains that "the [Postal Service] should be doing far more to ensure that [F]irst-[C]lass [M]ail . . . is not cross-subsidizing packages." TPA Comments at 2. TPA describes the reported increase in cost attribution to Competitive products resulting from the costing methodology changes described above—a $0.5 billion increase associated with city carrier street time and a $1.1 billion increase associated with rural carrier compensation—as "implausibly low." *Id.* (citing FY 2024 ACR at 8 n.20). In particular, TPA alleges that vehicle depreciation costs, overtime compensation costs, network travel costs, and vehicle and headquarter personnel costs are all under-attributed to Competitive

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

products. *Id.* TPA argues that "[u]ntil the [Postal Service] addresses these underlying methodological issues, attributable Competitive [p]roduct costs will remain artificially low, and packages will remain underpriced and cross-subsidized by [F]irst-[C]lass [M]ail." *Id.*

The Postal Service replies that TPA's comments are beyond the scope of what is at issue in the ACD, which is focused solely on evaluating compliance with 39 U.S.C. § 3633(a)(3), and should more properly be raised in an appropriate rulemaking docket to the extent TPA proposes changes to current cost attribution methodologies. Postal Service Reply Comments at 2-3.

2. Commission Analysis

a. FY 2024 Appropriate Share

In FY 2024, the total institutional costs of the Postal Service were $43.384 billion. *See* Library Reference PRC-LR-ACR2024-1. In FY 2024, the total contribution made by Competitive products collectively to institutional costs was $10.141 billion (approximately 23.4 percent of total institutional costs), which surpasses the formula-derived 9.9 percent requirement.[68] Therefore, the Postal Service was compliant with 39 U.S.C. § 3633(a)(3).

The Commission finds that the decrease in institutional cost coverage by Competitive products in FY 2024 was the result of the factors described by the Postal Service. The increase in costs attributed to Competitive products and the increase in institutional costs reduced Competitive products' contribution to institutional costs. The cost increases for Competitive products stemmed from: (1) the adoption of improved carrier models;[69] (2) increases in facility costs; (3) increases in service-wide benefits costs; and (4) an increase in average unit weight that resulted in higher transportation and delivery costs. January 30 Response to CHIR No. 4, question 12.a. In the ratio to compute Competitive products' contribution to institutional costs, institutional costs are the denominator; therefore, as institutional costs increase, the ratio decreases. In FY 2024 compared with FY 2023, the net effect of a $5.53 billion increase in institutional costs coupled with a $2.5 billion increase in Competitive products' attributable costs resulted in a reduction in Competitive products' contribution to institutional costs. *Id.* questions 12.a.-12.b.; Library Reference PRC-LR-ACR2024-8.

TPA's allegations that costs are being under-attributed to Competitive products were thoroughly addressed by the Commission in Docket Nos. RM2017-1 and RM2022-2, in which the Commission explained why it finds such assertions unpersuasive.[70] Such allegations are also outside the scope of the ACD, which determines compliance with statutory requirements using established methodologies. Recommendations for improving specific cost attribution methodologies are appropriately addressed in separate dockets.

[68] *See* Library Reference PRC-LR-ACR2024-1, Excel file "FY 24 Summary LR-1.xlsx," tab "Total All Mail (Appendix A)."

[69] *See* Order No. 7411 (city carrier street time); Order No. 7049 (rural carrier compensation).

[70] *See* Order No. 6043 at 114-17 (vehicle depreciation costs), 121-25 (headquarters personnel costs); Order No. 6399 at 194-97 (network travel costs, overtime compensation costs, and "other vehicle" costs).

The Commission's regulations permit any interested person to submit a petition to initiate a proceeding to "improve the quality, accuracy, or completeness of the data or analysis of data contained in the Postal Service's annual periodic reports to the Commission[.]" 39 C.F.R. § 3050.11(a). TPA is free to submit such a petition.

The Commission finds that in FY 2024 Competitive products satisfied 39 U.S.C. § 3633(a)(3) by covering an appropriate share of the Postal Service's institutional costs.

b. FY 2025 Appropriate Share

The formula-based approach to determining the appropriate share is recursive. Each year during the annual compliance review, the Commission determines the appropriate share for the upcoming fiscal year. Order No. 4963 at 26-27. In conducting its annual compliance review for FY 2023, which was carried out during FY 2024, the Commission applied the formula and determined that the appropriate share for FY 2025 would be 9.6 percent. FY 2023 ACD at 83.

c. FY 2026 Appropriate Share

The Commission has applied the formula to determine that the appropriate share requirement for FY 2026 under the formula-based approach will be 8.0 percent. For a step-by-step explanation of the calculation, please see the library reference accompanying this report. *See* Library Reference PRC-LR-ACR2024-8.

Table IV-1
Appropriate Share Value, FY 2022–FY 2026

Fiscal Year	Appropriate Share Value
FY 2022	10.0%
FY 2023	10.4%
FY 2024	9.9%
FY 2025	9.6%
FY 2026	8.0%

Source: Library Reference PRC-LR-ACR2024-8.

CHAPTER V. NONPOSTAL SERVICES AND INTERAGENCY AGREEMENTS

A. Introduction

Pursuant to 39 U.S.C. § 404(e), the Postal Service is permitted to offer certain legacy nonpostal services to the general public that were specifically grandfathered by the Commission following a statutorily-mandated review after the enactment of the Postal Accountability and Enhancement Act (PAEA) in 2006.[71] For each of these services, the Commission was directed to "designate whether the service shall be regulated . . . as a market dominant product, a competitive product, or an experimental product."[72] The Commission refers to these services as "legacy nonpostal products." The Postal Service is not permitted to offer any other nonpostal services to the general public. 39 U.S.C. § 404(e)(2)-(4).

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

> Executive agencies within the meaning of section 105 of title 5 and the Government Publishing Office[73] are authorized to furnish property, both real and personal, and personal and nonpersonal services to the Postal Service, and the Postal Service is authorized to furnish property and services to them. The furnishing of property and services under this section shall be under such terms and conditions, including reimbursability within the limitations of chapter 37 [of Title 39 of the United States Code], as the Postal Service and the head of the agency concerned shall deem appropriate.

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

[72] 39 U.S.C. § 404(e)(5). The nonpostal services that were included as Market Dominant products are "Alliances with the Private Sector to Defray Cost of Key Postal Functions," and "Philatelic Sales." The nonpostal services that were included as Competitive products are "Advertising," "Licensing of Intellectual Property Other Than OLRP," "Mail Service Promotion," "Officially Licensed Retail Products (OLRP)," "Passport Photo Service," "Photocopying Service," "Rental, Leasing, Licensing or Other Non-Sale Disposition of Tangible Property," "Training Facilities and Related Services," and "USPS Electronic Postmark Service (EPM) Program." *See* MCS §§ 1701-1702, 2701-2709, available at *https://www.prc.gov/mail-classification-schedule*; *see also* Order No. 1575 at 4. No nonpostal services were classified as experimental products. *See id.*

[73] Section 105 of Title 5 of the United States Code specifies that an "'Executive agency' means an Executive department, a Government corporation, and an independent establishment" of the United States Government, as those terms are defined in 5 U.S.C. chapter 1. 5 U.S.C. § 105.

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

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

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

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

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

The Postal Service must annually report on "costs, revenues, rates, and quality of service for each agreement or substantially similar set of agreements . . . under section 3703 or the program as a whole under section 3704, and any other nonpostal service authorized under [Chapter 37 of Title 39 of the United States Code] . . . in sufficient detail to demonstrate compliance with [Chapter 37]." 39 U.S.C. § 3705(a)(1). The annual reporting requirements under section 3705 were specifically made applicable to legacy nonpostal products via an uncodified conforming amendment in the Postal Service Reform Act of 2022 (PSRA).[74] In

[74] *See* Postal Service Reform Act of 2022, Pub. L. 117-108, 136 Stat. 1127, 1144 (2022) ("All individual nonpostal services, provided directly or through licensing, that are continued pursuant to section 404(e) of title 39, United States Code, shall be considered to be expressly authorized by Chapter 37 of such title (as added by subsection (a)(1)) and shall be subject to the requirements of section 3705, subsections (a) through (d).").

Prior to the enactment of the PSRA, the Commission had already promulgated a regulation requiring the Postal Service to report on costs, volumes, and revenues for each legacy nonpostal service. *See* 39 C.F.R. § 3050.21(i). Following the enactment of the PSRA, the Commission addition, Competitive legacy nonpostal products, because they are regulated as Competitive products, are subject to 39 U.S.C. § 3633(a)(2) and the requirement that each Competitive product must cover its attributable costs.

B. Market Dominant and Competitive Legacy Nonpostal Products

As required by 39 U.S.C. § 3705(a)(1) and 39 C.F.R. §§ 3050.21(i) and 3055.25, the Postal Service reported on costs, revenue, rates, and quality of service for all legacy nonpostal products during FY 2024.[75] In FY 2024, Market Dominant legacy nonpostal products generated $20.844 million in revenue and incurred $5.792 million in expenses, which resulted in a contribution of $15.051 million. FY 2024 ACR at 39. This figure represents an overall cost coverage of 360 percent. Competitive legacy nonpostal products generated $185.264 million in revenue and incurred $47.998 million in expenses, which resulted in a contribution of $137.266 million.[76] This figure represents an overall cost coverage of 386 percent.

Pursuant to 39 C.F.R. § 3055.25(b), the Postal Service asserts that it is impracticable to quantitatively measure the quality of service provided with respect to these products, and instead provides qualitative analyses.[77]

The Commission finds that the Postal Service complied with the applicable requirements of 39 U.S.C. chapter 37 during FY 2024 with respect to Market Dominant and Competitive legacy nonpostal products. In addition, Competitive legacy nonpostal products satisfied the cost coverage requirement of 39 U.S.C. § 3633(a)(2) because revenues exceeded attributable cost for each Competitive legacy nonpostal product.

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promulgated an additional regulation pertaining to the reporting of quality of service for nonpostal services. *See* 39 C.F.R. § 3055.25. FY 2024 is the first fiscal year to which 39 C.F.R. § 3055.25 applies. *See* Order No. 6439 at 17.

[75] FY 2024 ACR at 39-40; Library Reference USPS-FY24-20, December 30, 2024, folder "PUBLIC FY2024 Nonpostal Quality of Service Reports;" Library Reference USPS-FY24-NP32, December 30, 2024, PDF file "PROTECTED_USPS-FY24-NP32.Preface.pdf," at 3-4; folder "PROTECTED FY2024 Nonpostal Quality of Service Reports;" January 23 Response to CHIR No. 2, question 13.

[76] Library Reference USPS-FY24-NP32, PDF file "PROTECTED_USPS-FY24-NP32.Preface" at 3-4.

[77] Library Reference USPS-FY24-20, folder "PUBLIC FY2024 Nonpostal Quality of Service Reports," PDF files "Alliances with the Private Sector - FY 2024 Qualitative Analysis_redacted.pdf" and "Philatelic Sales - FY 2024 Qualitative Analysis.pdf;" Library Reference USPS-FY24-NP32, folder "PROTECTED FY2024 Nonpostal Quality of Service Reports," PDF files "Alliances with the Private Sector - FY 2024 Qualitative Analysis.pdf," "Licensing of IP Other Than OLRP - FY 2024 Qualitative Analysis.pdf," "Mail Service Promotion - FY 2024 Qualitative Analysis.pdf," "Officially Licensed Retail Products - FY 2024 Qualitative Analysis.pdf," "Passport Photo Service - FY 2024 Qualitative Analysis.pdf," "Photocopying Service - FY 2024 Qualitative Analysis.pdf," "Rental Leasing Licensing - FY 2024 Qualitative Analysis.pdf," and "Training Facilities and Related Services - FY 2024 Qualitative Analysis.pdf."

The Postal Service does, however, provide partial quantitative analyses with respect to Philatelic Sales and Officially Licensed Retail Products. *See* Library Reference USPS-FY24-20, folder "PUBLIC FY2024 Nonpostal Quality of Service Reports," PDF file "Philatelic Sales - FY 2024 Qualitative Analysis.pdf;" Library Reference USPS-FY24-NP32, folder "PROTECTED FY2024 Nonpostal Quality of Service Reports," PDF file "Officially Licensed Retail Products - FY 2024 Qualitative Analysis.pdf."

C. Interagency Agreements

As required by 39 U.S.C. § 3705(a)(1), 39 C.F.R. § 3055.25, and Commission Order No. 6659,[78] the Postal Service reported on costs, revenue, rates, and quality of service for IAAs that were in effect during FY 2024.[79] The Postal Service states that there were no agreements with state, local, or tribal governments in effect during FY 2024. FY 2024 ACR at 41. The Postal Service provided copies of new agreements and modifications to existing agreements made during FY 2024,[80] and provided workbooks reflecting summary IAA information and the calculation of costs, revenue, and contribution for each category of IAA.[81]

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[78] 39 U.S.C. § 3705(b)(2) authorizes the Commission to initiate proceedings to improve the quality, accuracy, or completeness of Postal Service data filed pursuant to 39 U.S.C. § 3705. In the FY 2022 ACD, the Commission directed the Postal Service to develop a proposed methodology for calculating and attributing costs and revenue to interagency agreements. FY 2022 ACD at 102. As directed, the Postal Service filed its proposal in Docket No. RM2023-7. In Order No. 6659, the Commission conditionally approved the Postal Service's methodology, subject to 7 conditions. *See* Order No. 6659. The Postal Service filed a motion for partial reconsideration of Order No. 6659, which is currently pending before the Commission. Docket No. RM2023-7, USPS Motion for Reconsideration and Clarification of Commission Order No. 6659, With Portions Filed Under Seal, September 15, 2023.

[79] FY 2024 ACR at 40-41; Library Reference USPS-FY24-20, Excel file "FY2024 IAA Public Financial Details.xlsx;" Library Reference USPS-FY24-NP32, PDF file "PROTECTED_USPS-FY24-NP32.Preface.pdf" at 4, Excel files "ACR 2024 IAA Summary.List.xlsx" and "FY2024 IAA NonPublic Financial Workbook Detailed.xlsx," file "PROTECTED FY2024 IAA Quality of Service Report.docx;" Library Reference USPS-FY24-NP34, January 23, 2025, folder "PROTECTED_Support for Multiple Questions_CHIR 2_FY2024 ACR," Excel file "ACR 2024 IAA Summary.List.v2;" Library Reference USPS-FY24-NP35, February 4, 2025, folder "NON-PUBLIC Supporting Materials_CHIR 4_FY24," subfolder "PROTECTED_Question 19_CHIR 4_ACR2024," Excel file "FY2024 IAA NonPublic Financial Workbook Detailed Rev. 2.4.2025.xlsx;" Notice of the United States Postal Service of Revisions to Library References and Other Materials Relating to the Annual Compliance Report -- Errata, February 14, 2025, at 2 (February 14 Errata), folder "Revised Materials_ACR Folders_Public_2.14.2025," subfolder "USPS-FY24-20 Updated Materials_2.14.2025," PDF file "USPS-FY24-20 Preface_Revised_2.14.2025.pdf" at 4, Excel file "FY2024 IAA Public Financial Details Rev. 2.14.2025.xlsx;" folder "PROTECTED_Revised Materials_ACR Folders_Non-Public_2.14.2025, "subfolder "USPS-FY24-NP32_Updated Materials_2.14.2025," PDF file "PROTECTED_USPS-FY24-NP32.Preface_Revised_2.14.2025_.pdf" at 6, Excel file "PROTECTED_FY2024 IAA NonPublic Financial Workbook Detailed Rev. 2.14.2025.xlsx."

[80] Library Reference USPS-FY24-20, folder "Copies of IAAs - Public;" Library Reference USPS-FY24-NP32, folder "Copies of IAAs;" Library Reference USPS-FY24-NP34, folders "PROTECTED_Question 19_CHIR 2_FY2024 ACR," "PROTECTED_Question 20_CHIR 2_FY2024 ACR," and "PROTECTED_Support for Multiple Questions_CHIR 2_FY2024 ACR;" Notice of the United States Postal Service of Filing Supplemental Material to Questions 14 and 22 of Chairman's Information Request No. 2, January 29, 2024, folders "Question 14_CHIR 2_ACR2024_Supplemental Material" and "Question 22_CHIR 2_ACR2024_Supplemental Material."

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

[81] Library Reference USPS-FY24-20, Excel file "FY2024 IAA Public Financial Details.xlsx;" Library Reference USPS-FY24-NP32, Excel files "ACR 2024 IAA Summary.List.xlsx," and "FY2024 IAA NonPublic Financial Workbook Detailed;" Library Reference USPS-FY24-NP34, folder "PROTECTED_Support for Multiple Questions_CHIR 2_FY2024 ACR," Excel file "ACR 2024 IAA Summary.List.v2.xlsx;" Library Reference USPS-FY24-NP35, folder "NON-PUBLIC Supporting Materials_CHIR 4_FY24," subfolder "PROTECTED_Question 19_CHIR 4_ACR2024, "Excel file "FY2024 IAA NonPublic Financial Workbook Detailed Rev. 2.4.2025.xlsx;" February 14 Errata, PDF file "Errata_Updated Materilas_ACR2024_2.14.2025.pdf" at 2, folder "Revised Materials_ACR Folders_Public_2.14.2025," subfolder "USPS-FY24-20 Updated Materials_2.14.2025," PDF file "USPS-FY24-20 Preface_Revised_2.14.2025.pdf" at 4, Excel file "FY2024 IAA Financial Details Rev. 2.14.2025.xlsx;" folder "PROTECTED_Revised Materials_ACR Folders_Non-Public_2.14.2025," subfolder "USPS-FY24-NP32_Updated Materials_2.14.2025," PDF file "PROTECTED_USPS-FY24-NP32.Preface_Revised_2.14.2025_.pdf" at 6, Excel file "PROTECTED_FY2024 IAA NonPublic Financial Workbook Detailed Rev. 2.14.2025.xlsx."

Pursuant to 39 C.F.R. § 3055.25(b) and (c), the Postal Service asserts that it is impracticable to quantitatively measure the quality of service provided with respect to the Federal IAA program as a whole, and instead provides a qualitative analysis.[82]

As shown in Figure V-1, in total, there were 200 IAAs in effect in FY 2024 broken out among six categories. The program had a total revenue of $424 million and incurred $256 million in costs, for a contribution of 168 million and an overall cost coverage of 166 percent.[83]

Figure V-1
Interagency Agreements by Category in Effect During FY 2024

TOTAL	200
Retail Services	6
COVID Test Kit Delivery	1
Addressing and Geospatial Technology Services	2
Short-term Rental	27
Lease Agreements	46
Contracting Services	118

The Commission continues to work with the Postal Service to finalize a methodology for calculating and attributing costs and revenue to IAAs. *See generally* Docket No. RM2023-7. For purposes of this compliance review of the overall IAA program pursuant to 39 U.S.C. § 3705(e)(2), the record reflects that the total reimbursement the Postal Service received from other Federal agencies for services rendered pursuant to IAAs effective in FY 2024 exceeded the total estimated cost associated with providing such services, which complies with 39 U.S.C. § 3704.

[82] Library Reference USPS-FY24-NP32, file "PROTECTED FY2024 IAA Quality of Service Report.docx." The Postal Service does, however, provide partial quantitative analysis with respect to the "COVID Test Kit" IAA category. *Id.*

[83] February 14 Errata, PDF file "Errata_Updated Materilas_ACR2024_2.14.2025.pdf" at 2, folder "Revised Materials_ACR Folders_Public_2.14.2025," subfolder "USPS-FY24-20 Updated Materials_2.14.2025," PDF file "USPS-FY24-20 Preface_Revised_2.14.2025.pdf" at 4, Excel file "FY2024 IAA Financial Details Rev. 2.14.2025.xlsx;" folder "PROTECTED_Revised Materials_ACR Folders_Non-Public_2.14.2025," subfolder "USPS-FY24-NP32_Updated Materials_2.14.2025," PDF file "PROTECTED_USPS-FY24-NP32.Preface_Revised_2.14.2025_.pdf" at 6, Excel file "PROTECTED_FY2024 IAA NonPublic Financial Workbook Detailed Rev. 2.14.2025.xlsx." The corrected final figures appear in Excel file "PROTECTED_FY2024 IAA NonPublic Financial Workbook Detailed Rev. 2.14.2025.xlsx," and not in PDF file "PROTECTED_USPS-FY24-NP32.Preface_Revised_2.14.2025."

The Commission finds that the Postal Service complied with the applicable requirements of 39 U.S.C. chapter 37 during FY 2024 with respect to Interagency Agreements.

At the same time, however, the Commission also finds that the workbooks filed by the Postal Service in this docket with respect to IAAs contained numerous omissions, as well as data and calculation errors, that required multiple rounds of information requests to resolve. These problems were not limited to the IAA workbooks, but also impacted other important workbooks, such as the CRA, as well as the Postal Service's calculation of available rate authority.[84] These issues frustrated the Commission's ability to carry out its regulatory responsibilities under 39 U.S.C. § 3705(e)(2), and they also limited the utility of the initial workbooks submitted with respect to transparency and accountability.

The Commission directs the Postal Service, in future reporting years, to be more diligent in ensuring that the "IAA Summary List" and "Financial Workbook" workbooks are up-to-date, accurate, and consistent with each other and with other applicable workbooks and with approved methodologies prior to submitting its Annual Compliance Report.

[84] *See* Notice of the United States Postal Service of Revisions to Notice of Rate Authority -- Errata, February 14, 2025.

CHAPTER VI. SERVICE PERFORMANCE

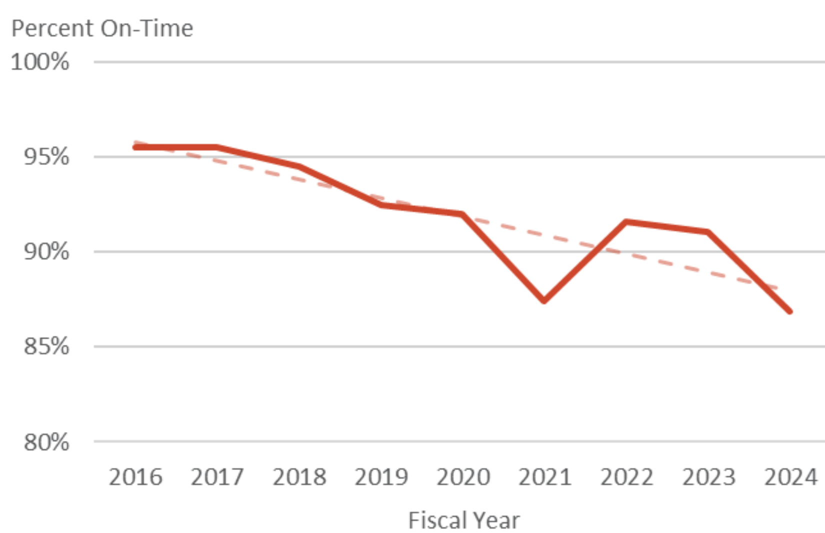
A. Service Performance Results

1. Executive Summary

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

- *19 of the 27 Market Dominant products/categories measured failed to meet their targets in FY 2024.*
- *As has been the case for nearly a decade, more than 48 percent of products/categories measured failed to meet their targets in FY 2024.*
- *No category of First-Class Mail met its target in FY 2024.*
- *Since the Postal Service's revisions to its service standards 9 years ago, on-time performance for 2-Day First-Class Mail Single-Piece Letters/Postcards has generally declined, as indicated in the below chart. This category of mail is exemplative since it is subject to the direct control of Postal Service transportation, processing, and delivery operations.*

Figure VI-1
First-Class Mail, 2-Day Single-Piece Letters/Postcards
Nationwide On-Time Service Performance, FY 2016–FY 2024



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

- *The Postal Service continues to fail to meet targets despite changes in service standards that have lengthened days-to-delivery for several products/categories over the past several years.*
- *The Postal Service should properly and thoroughly determine the underlying reasons for this decline in service performance and in turn when this analysis is complete create and implement plans that will improve service performance results to achieve the applicable on-time percent target levels in FY 2025.*
- *The Commission has developed specific directives designed to increase transparency regarding service performance for non-compliant products. These directives elicit data from the Postal Service and information on the steps that the Postal Service will take to restore service performance for those products in FY 2025. These directives include continued Postal Service reporting of specific information developed from its internal metrics within 90 days of the issuance of this ACD and as part of the Postal Service's FY 2025 ACR.*

2. Market Dominant Service Performance in FY 2024

Despite efforts to improve, the majority of Market Dominant products/categories failed to meet their targets in FY 2024, continuing a trend that has persisted for a nearly a decade. This chapter evaluates the Postal Service's compliance with the directives set for FY 2024, considers issues raised by commenters, and presents specific directives aimed at improving service performance and ensuring transparency. As the Commission has done in prior ACDs, the chapter also identifies performance trends and summarizes the Postal Service's performance with regard to Election Mail and Political Mail. General comments (and reply comments, if applicable) related to overall Market Dominant service performance in FY 2024 are organized by topic, followed by an analysis of comments specific to each mail class.

The tools and analyses the Postal Service uses to diagnose and attempt to resolve service issues have changed over time as the service performance measurement system has evolved. Until FY 2019, the Postal Service used a hybrid measurement system with both internal and external components. During that time, many tools were used to develop the Postal Service's root cause analysis. In FY 2015, the Postal Service reported using "process flow maps, value stream maps, cause and effect diagrams, pareto charts, process capability analysis, correlation analysis, control charts and gemba walks among others. The combination of these tools and analysis clearly identify the root cause, service defects and highest area of opportunity."[85]

[85] Docket No. ACR2015, Responses of the United States Postal Service to Questions 1-6, 8-10 of Chairman's Information Request No. 11, February 16, 2016, question 1.i.

In FY 2019, the Postal Service began using the Internal Service Performance Measurement System (Internal SPM) to "monitor the mail flow, assign root causes of failure, and quantify the impact of the failure of a mailpiece to clear a particular processing action."[86] This approach identified 18 different operations where a mailpiece could fail to receive a correct and/or timely scan. FY 2019 ACD at 104.

The Internal SPM root cause data has primarily identified where service performance failures occur but has not been effective in guiding solutions. In previous ACDs, the Commission reviewed and analyzed these data to assess service issues. However, given the ongoing operational changes and the limitations of these data in diagnosing the reasons behind failures, the Commission has determined that such an analysis would provide limited additional value this year. While the data helps confirm where issues arise, it does not explain why they occur. The Commission recommends that the Postal Service develop an approach that not only identifies failure locations but also provides deeper insight into the underlying causes.

a. Overview

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

Of the 27 Market Dominant products/categories measured, 19 products/categories (82 percent) failed to meet their targets in FY 2024. *See* Table VI-1 and Table VI-3, *infra*. For nearly a decade, more than 48 percent of products/categories have failed to meet their targets.

[86] FY 2019 ACD at 102. Effective in FY 2019 Quarter 1, the Postal Service began to use Internal SPM to generate data to report service performance results for products within domestic First-Class Mail, Periodicals, USPS Marketing Mail, and Package Services. Order No. 4697 at 17-19, 21, 66-67. Starting in FY 2021 Quarter 1, the Commission approved the extension of Internal SPM to First-Class Mail Outbound Single-Piece International, Inbound Letter Post, and Return Receipt-Green Card (a component of Ancillary Services). Order No. 5576 at 10-11.

Table VI-1
Market Dominant Mail Service Performance Results, FY 2023–FY 2024[87]

Mail Class	Product	Delivery Speed	% On-Time		Target
			FY 2023	FY 2024*	
First-Class	Single-Piece Letters/Postcards	2-Day	91.10	86.90	93.00
		3-5-Day	84.10	73.20	90.28
	Presort Letters/Postcards	Overnight	94.90	93.50	95.00
		2-Day	93.80	91.50	95.00
		3-5-Day	92.20	69.10	93.00
	Flats	Overnight	83.40	78.60	95.00
		2-Day	80.70	76.20	93.55
		3-5-Day	79.20	69.10	92.00
	Outbound Single-Piece First-Class Mail International	-	80.80	72.30	91.84
	Inbound Letter Post	-	82.10	67.00	91.84
USPS Marketing Mail	Carrier Route	-	94.40	93.00	94.62
	High Density and Saturation Letters	-	97.00	95.90	94.62
	High Density and Saturation Flats/Parcels	-	89.80	90.90	94.62
	Letters	-	96.00	95.20	94.62
	Flats	-	88.40	85.10	94.62
	Parcels	-	99.20	98.80	94.62
	EDDM-Retail	-	81.30	81.90	94.62
Periodicals	In-County	-	86.50	83.30	87.29
	Outside County	-	86.30	83.00	87.29
Package Services	Media/Library Mail	-	96.10	96.70	90.00
	Bound Printed Matter Parcels	-	99.30	99.10	90.00
	Bound Printed Matter Flats	-	74.10	73.20	90.00

*Red means below the target score; Green means met or above the target score.

Source: Library Reference USPS-FY23-29, December 29, 2023, PDF file “FY23-29 Service Performance Report.pdf,” at 4-5, 9, 13, 16 (FY 2023 Service Performance Report); Library Reference USPS-FY24-29, PDF file "FY24-29 Service Performance Report.pdf," at 5, 10, 12, 16 (FY 2024 Service Performance Report).

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

In FY 2024, none of the 10 First-Class Mail categories met their FY 2024 on-time service performance target and all show a decline in performance compared to FY 2023. As Table VI-1 shows, Single-Piece Letters/Postcards with a 2-Day service standard achieved an on-time performance of 86.9 percent, falling short of the 93.0 percent target. This specific category within First-Class Mail is exemplative of the service in the revised Postal Network. It is a measure of individual pieces of First-Class Mail that are input to the network and in turn are transported, processed and delivered via the Postal Network. By examining this measure on a National / Annual basis, it provides a view of performance without the interference from localized events such as weather and traffic.

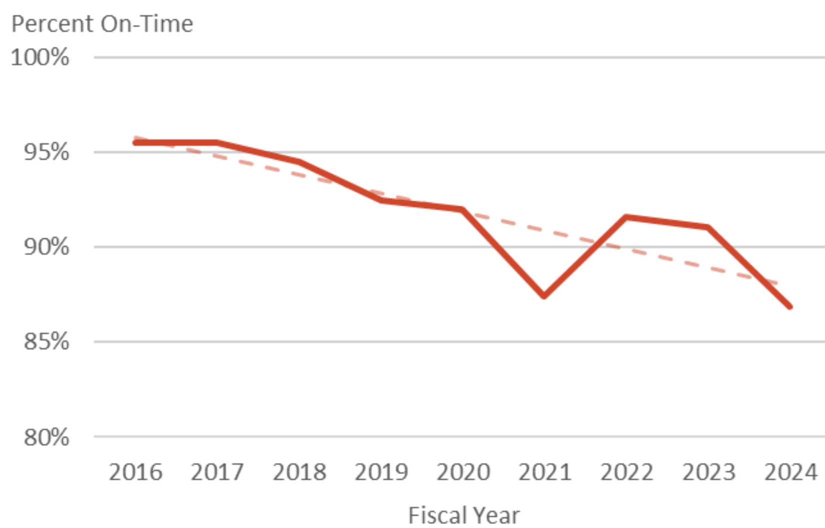
In the last 9 years, during which time 2-Day performance was measured, the following results took place:

Table VI-2
First-Class Mail, 2-Day Single-Piece Letters/Postcards
Nationwide On-Time Service Performance, FY 2016–FY 2024

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

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

Figure VI-1 (Reprinted)
First-Class Mail, 2-Day Single-Piece Letters/Postcards
Nationwide On-Time Service Performance, FY 2016–FY 2024



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

Similarly, the 3-to-5-Day category had a 73.2 percent on-time performance score, well below the target of 90.28 percent. In FY 2023, these categories had achieved 91.1 percent and 84.1 percent on-time service performance, respectively.

Presorted Letters/Postcards also experienced lower on-time service performance compared to FY 2023 and missed targets in all categories. The Overnight category reached 93.5 percent on-time service performance, compared to the 95.0 percent target. The 2-Day category achieved 91.5 percent on-time service performance, below its target of 95.0 percent, while the 3-to-5-Day category recorded 86.8 percent on-time service performance, short of the 93.0 percent target. In FY 2023, on-time service performance for these categories ranged from 92.2 percent to 94.9 percent.

Likewise, First-Class Mail Flats on-time service performance declined across all categories, with all categories failing to meet their targets. Overnight Flats achieved 78.6 percent on-time service performance, compared to a target of 95.0 percent. The 2-Day Flats category recorded 76.2 percent on-time service performance, missing the 93.55 percent target, and the 3-to-5-Day category achieved 69.1 percent on-time service performance, below the 92.0 percent target. These results represent declines from FY 2023, when on-time service performance for Flats ranged from 79.2 percent to 83.4 percent.

International First-Class Mail's on-time service performance was also below target. Outbound Single-Piece International mail achieved 72.3 percent and Inbound Single-Piece International mail achieved 67.0 percent, both significantly below the target of 91.84 percent.

In FY 2024, USPS Marketing Mail on-time service performance generally declined compared to FY 2023, with most categories missing their FY 2024 targets. Letters achieved 95.2 percent on-time service performance, exceeding the 94.62 percent target but falling short of FY 2023's on-time service performance score of 96.0 percent. Flats recorded 85.1 percent on-time service performance, significantly below the 94.62 percent target and down from FY 2023's on-time service performance score of 88.4 percent. Carrier Route achieved 93.0 percent, under the target of 94.62 percent and lower than FY 2023's on-time service performance score of 94.4 percent. High-Density and Saturation Letters performed at 95.9 percent, exceeding the 94.62 percent target but declining from FY 2023's on-time service performance score of 97.0 percent. High-Density and Saturation Flats and Parcels recorded 90.9 percent, below the target of 94.62 percent and a *slight increase from* FY 2023's on-time service performance score of 89.8 percent. Every Door Direct Mail—Retail (EDDM-R) performed poorly at 81.9 percent, missing the target of 94.62 percent and slightly improving from FY 2023's score of 81.3 percent. Parcels were an exception, achieving 98.8 percent on-time service performance, surpassing the target of 94.62 percent and improving slightly from FY 2023's on-time service performance score of 99.2 percent.

Periodicals saw similarly disappointing results in FY 2024, with both categories missing their targets and showing declines compared to FY 2023. In-County Periodicals recorded 83.3 percent on-time service performance, falling short of the 87.29 percent target and down from FY 2023's on-time service performance score of 86.5 percent. Outside County Periodicals achieved 83.0 percent, missing the target of 87.29 percent and declining from FY 2023's on-time service performance score of 86.3 percent.

Package Services presented mixed results, with on-time service performance generally declining compared to FY 2023. As Table VI-1 shows, BPM Flats fell sharply to 73.2 percent, far below the 90.0 percent target and down from FY 2023's on-time service performance score of 74.1 percent. Media Mail and Library Mail achieved 96.7 percent on-time service performance, outperforming the 90.0 percent target and improving slightly from FY 2023's on-time service performance score of 96.1 percent. BPM Parcels, however, showed a slight decline, achieving 99.1 percent on-time service performance, exceeding the 90.0 percent target but falling slightly from FY 2023's on-time service performance score of 99.3 percent.

Table VI-3 presents the FY 2024 targets and scores for Special Services products.

Table VI-3
Special Services Service Performance Results, FY 2023–FY 2024[88]

Mail Class	Product	% On-Time		Target
		FY 2023	FY 2024*	
Special Services	Ancillary Services	81.70	83.60	90.00
	International Ancillary Services	99.90	99.90	90.00
	Money Orders	99.90	100.00	90.00
	Post Office Box Service	86.30	86.00	90.00
	Stamp Fulfillment Services	99.70	99.00	90.00
*Red means below the target score; Green means met or above the target score.				

Source: FY 2023 Service Performance Report at 19-20; FY 2024 Service Performance Report at 19.

In FY 2024, Special Services showed some improvement compared to FY 2023. Ancillary Services (Combined) had an on-time service performance score of 83.6 percent, falling short of the 90.0 percent target but showing an improvement from FY 2023's score of 81.7 percent. International Ancillary Services maintained a score of 99.9 percent, meeting the target and matching FY 2023's score. Money Orders achieved a score of 100.0 percent, surpassing the target and remaining consistent with FY 2023's score of 99.9 percent. Post Office Box Service reached a score of 86.0 percent, below the target of 90.0 percent and

[88] The Commission approved a semi-permanent exception for service measurement of the following Special Services: hard-copy Address Correction Service, Applications and Mailing Permits, Business Reply Mail, Bulk Parcel Return Service, Certificate of Mailing, Merchandise Return Service, Parcel Airlift, Restricted Delivery, Shipper-Paid Forwarding, Special Handling, Stamped Envelopes, Stamped Cards, Premium Stamped Stationery, Premium Stamped Cards, International Certificate of Mailing, outbound International Registered Mail, International Return Receipt, International Restricted Delivery, International Insurance in conjunction with Inbound Surface Parcel Post (at UPU Rates), Customs Clearance and Delivery Fee, Caller Service, Change of Address Credit Card Authorization, International Reply Coupon Service, International Business Reply Mail, and Money Orders (sales aspect of this service only, not inquiries). Order No. 531; Order No. 570.

slightly below the FY 2023 score of 86.3 percent. Stamp Fulfilment Services scored 99.0 percent, which was lower than FY 2023's score of 99.7 percent but still above the target of 90.0 percent.

The Commission directs the Postal Service to improve service performance results to achieve the applicable on-time service performance target level for these non-compliant products in FY 2025. The Commission has specifically developed directives designed to increase transparency regarding service performance for non-compliant products. These directives are set out in Section V.A.3., supra.

b. General Comments and Related Commission Analysis

FY 2025 service performance targets and service standards. The Public Representative points out that the Postal Service had been increasing its service performance targets modestly until FY 2025, at which point it "lowered many targets considerably." PR Comments at 25. He states that while the Delivering for America (DFA) Plan aims for service performance over 95 percent, "most targets and actual performance" have fallen short in FY 2024. *Id.* He observes that the significance to be attached to an on-time service performance target "depends on its purpose and the adequacy of the basis for its selection." *Id.* at 19. He asserts that if the purpose of the targets is to provide an incentive to improve service performance, a higher target is appropriate, while if the purpose is to give customers a reliable expectation of what service is to be expected, a more moderate, realistic target is in order; if the purpose is both, a balance must be struck. *Id.* at 19-20. He asserts that in any case, the Postal Service should identify the target's purpose and supporting basis. *Id.* at 20.

The Public Representative contends that a similar balance must be struck in the case of service standards: where service standards are unattainable, they should be lowered, but "beyond a point, achieving service performance targets by lowering service standards is fruitless" and becomes a "race to the bottom." *Id.* The Public Representative explains that service standards for Market Dominant products have not changed in FY 2024 but that changes have been proposed going forward in Docket No. N2024-1. *Id.* at 20-25.

The Postal Service states that its goal is to "establish realistic targets for market-dominant products based on careful consideration of past performance, expected operational capabilities, and anticipated improvements, while also recognizing the significant limitations of [its] current network as [it] engage[s] in the process of modernizing it." Response to CHIR No. 7, question 6.a. With these factors in mind, the Postal Service states that FY 2025 will be a "transitional year"; however, in order to reflect operational improvements, it decided to set the FY 2025 targets higher than actual performance in FY 2024 and no lower than 80 percent for each product/category. *Id.* This "methodology was based on the Postal Service's experience and business judgment . . . ." *Id.* question 6.b.-6.c.

The Commission notes that from FY 2024 to FY 2025, 19 performance targets decreased, while only 8 increased, reflecting a decline in service expectations across a majority of categories and raising concerns about the reliability of timely mail delivery in FY 2025.[89] The decreases ranged from less than 1 percentage point for USPS Marketing Mail Carrier Route to 15 percentage points for First-Class Mail Flats with an Overnight service standard, with 8 targets lowered by 10 percentage points or more. For comparison, in FY 2024, the Postal Service raised 14 targets and lowered only 1, signaling a shift in its approach that raises concerns about the future of mail services, which have traditionally been held to high performance expectations.

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

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

For FY 2025, the Postal Service raised targets primarily for categories that either involve minimal handling or are less dependent on the delivery network. The largest increases were in Special Services, such as International Ancillary Services and Money Orders (both up 9.90 percentage points), as well as Stamp Fulfillment Services (increased by 9.10 percentage points), which do not rely on mail processing or transportation. Among targets for mail categories, those for parcels saw some of the most significant increases, with the target for BPM Parcels increasing by 9.20 percentage points and the target for USPS Marketing Mail Parcels increasing by 4.28 percentage points, reflecting the Postal Service's relative strength in package delivery. Meanwhile, USPS Marketing Mail High-Density and Saturation Letters and USPS Marketing Mail Letters also saw modest increases, likely due to their high level of worksharing, which minimizes handling by the Postal Service.

The Postal Service appears unable to identify targets that are both operationally realistic and promote continuous improvement. Additionally, the Postal Service's decision to dramatically lower service performance targets for FY 2025 appears to be an implicit recognition by the Postal Service that service performance will deteriorate as a result of the DFA Plan in FY 2025, including in categories of mail products that will also have a slower service standard in FY

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

2025. The Commission recommends that the Postal Service provide greater clarity regarding the purpose and basis behind changed targets to help the Commission evaluate the reasonableness of such targets and promote public transparency.

General service performance and future improvement. PostCom states that, due to management decisions, the Postal Service is failing to meet its own service standards and has produced arguably the worst service performance results since the PAEA. PostCom Comments at 1. PostCom also notes that the Postal Service appears poised to further reduce service quality. *Id.* at 1-2. PostCom states the Commission must use its full scope of regulatory authority "if customers are ever to receive the level of service for which they are forced to pay increasingly exorbitant rates." *Id.* at 2. Similarly, NPPC notes that service performance has "severely worsened." NPPC Comments at 2.

NAPM states that service performance has been not just below the service standards and targets, but also unpredictable. NAPM Comments at 17. NAPM also notes that, while issues may have been understandably caused by "transportation and network changes, better communication in advance of those changes is needed in order to set customer expectations if delays are anticipated for a temporary period." *Id.* NAPM also states that better dock and yard management is necessary to avoid long wait times. *Id.*

The Public Representative notes that the Postal Service is conducting a variety of initiatives aimed at improving service performance, including those that pertain to transit and Last Mile. PR Comments at 36. He also states that the Postal Service notes a continued focus on operational efficiency and service reliability through "optimizing operational clearance processes, enhancing supplier performance, leveraging industry-standard tools, and advancing employee training and development." *Id.* The Public Representative also points out that staffing levels have apparently been maintained, operation plans have been tailored to improving service performance, and processing and office facilities have been adjusted to support the modernizations in the DFA Plan. *Id.* at 37. The Public Representative states that, "[g]iven the sheer number of initiatives identified by the Postal Service and the ongoing network redesign contemplated by the DFA Plan," he finds it difficult to make meaningful suggestions regarding these initiatives but notes that many of them are topics under consideration in Docket No. N2024-1. *Id.* at 38. He asserts that, nevertheless, while "short-term service disruptions may be a necessary cost of long-term network improvements and cost savings," the DFA Plan is entering its fourth year and service performance is still degrading rather than improving. *Id.* The Public Representative also asks that the Postal Service take the Commission's recommendations seriously when implementing future network and service standard changes. *Id.* at 38-39.

In response, the Postal Service states that it has become clear that "long-term financial stability and service performance success [cannot] both be achieved within [its] existing network" and that in FY 2024, it chose to improve its operation and financial condition." Postal Service Reply Comments at 4-5. It asserts that challenges with execution "temporarily impacted service performance results" and suggests that "service performance improvements in FY 2022 and FY 2023" should be recognized. *Id.* at 5.

In response to the Public Representative, the Postal Service notes that the DFA Plan is a 10-year process and that only 3 years have elapsed so far. *Id.* at 8-9. Therefore, according to the Postal Service, the service performance declines in FY 2024 should be viewed as "a temporary setback in the ongoing effort to achieve long-term service excellence and financial sustainability." *Id.* at 9.

Given the Postal Service has acknowledged that it has chosen to prioritize its operational structure and financial condition over short-term service performance in FY 2024, the Commission reiterates its expectation that the Postal Service will renew its focus on improving service performance in FY 2025.

c. First-Class Mail

(1) FY 2023 ACD Directives

Finding that six First-Class Mail products/categories did not meet their FY 2023 service performance targets (Single-Piece Letters/Postcards, Overnight and 2-Day Presorted Letters/Postcards, Flats, International Inbound Letter Post, and Outbound Single-Piece First-Class Mail International), the Commission directed the Postal Service to improve service performance for these categories and determined that they were out of compliance in FY 2023. FY 2023 ACD at 157. Therefore, the Commission issued a series of directives to monitor the progress and efficacy of the Postal Service's service performance improvement initiatives in FY 2024. *See id.* at 157-60.

First, to evaluate the Postal Service's nationwide initiatives to improve transit and Last Mile performance, the Commission directed the Postal Service to report on its progress and plans for remedying those issues. *See id.* at 158. Second, to evaluate the Postal Service's Division-level initiatives to address the top root causes of failure to deliver First-Class Mail on time, the Commission directed the Postal Service to report on its Division-level progress and plans for remedying those issues. *See id.* at 159. Third, to facilitate the consistent monitoring of First-Class Mail service performance, the Commission directed the Postal Service to provide Area- and District-level data concerning the number of Critically Late Trips (CLTs) during FY 2024. *See id.* at 159-60. Fourth, to monitor the Postal Service's initiatives to improve service performance results for International Inbound Letter Post and Outbound Single-Piece First-Class Mail International, the Commission directed the Postal Service to report on its progress at addressing processing deficiencies at International Service Centers (ISCs) and plans for remedying those issues. *See id.* at 160.

(2) Postal Service Report

No category of First-Class Mail met its target in FY 2024. FY 2024 Service Performance Report at 5. The Postal Service states that it is undertaking several initiatives that it expects will improve service performance, including "making numerous improvements to its operations . . . [and] transforming its network of processing and delivery facilities, and its inter-related transportation and carrier routes, to ensure a logical sequencing of processing, transportation, and cross-docking functions for all products (including flats) from originating plant to destinating plant, and to the delivery unit." *Id.* at 7.

As directed in the FY 2023 ACD, the Postal Service provided a variety of information regarding the identity and causes of on-time service performance failures, its nationwide and Division-level initiatives in FY 2024 to improve service performance and address the top root causes of failure to deliver First-Class Mail on time, and plans for improvement in FY 2025.[90]

(3) Comments and Related Commission Analysis

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

Domestic products. Several commenters note that in FY 2024, the Postal Service failed to meet any of its service performance targets for First-Class Mail. PostCom Comments at 2; NPPC Comments at 1. The Public Representative notes that service performance for Single-Piece Letters/Postcards and Flats decreased significantly in FY 2024 from previous years. PR Comments at 27. He states that, compared to these products, Presorted Letters/Postcards service performance fared better, although it still failed to meet its targets. *Id.* The Public Representative also noted that these products fared poorly in every quarter of FY 2024 and in almost every category. *Id.* at 28-29.

International products. The Public Representative notes that, on a quarterly basis in FY 2024, "Outbound Single-Piece with a five-day service standard was the sole [category] to meet its performance target, and only in quarters 3 and 4." *Id.* at 30.

Single-Piece Letters/Postcards. GCA argues that the Postal Service's reforms of the transportation and processing network are based off of the disappearance of First-Class Mail Single-Piece Letters/Postcards. GCA Comments at 1-2. GCA questions whether this transition is consistent with the Postal Service's mandate to serve the entire nation. *Id.* at 1, 3-5. GCA also argues that because Single-Piece Letters/Postcards is a profitable mail category, the Postal Service should not be basing its internal reorganization on its disappearance. *Id.* at 3-4. Specifically, GCA notes that performance of Single-Piece Letters/Postcards subject to a 3-to-5-Day service standard have drastically declined since the institution of the DFA Plan and is out of compliance. *Id.* at 2-4. In terms of the remedy, GCA contends that, if the Commission determines that this substandard performance "result[ed] from transient disruptions associated with implementation of the" DFA Plan, it should order the Postal Service to bring service performance "reasonably close" to the service standard within a set timeframe. *Id.* at 5. If, however, the Commission determines that this inferior service performance is an "integral part" of the DFA Plan itself, the Commission should "order that the [DFA Plan], assuming it is being pursued, be redesigned in whatever way is necessary to provide for mail subject to the [3-to-5-Day] standard[—] the level of service performance to which it is entitled and which it is not receiving." *Id.*

[90] *See, e.g.,* Library Reference USPS-FY24-29, files "USPS-FY24-29 Preface.pdf" (Library Reference USPS-FY24-29, Preface), "FY24-29 Division Reports.pdf," "FY24 FCM Root Cause.xlsx," and "ACR2024 EOY CLT FY24 Q3-Q4.xlsx."

The Postal Service responds that GCA's focus on Single-Piece Letters/Postcards is misplaced considering the Postal Service's broader mandate "to balance the provision of prompt, reliable and efficient service with the statutory obligation to be financially self-sufficient." Postal Service Reply Comments at 6-7. Because of the "precipitous decline" of Single-Piece Letters/Postcards, the Postal Service states that it must modernize its network to focus on sales of other products. *Id.* In general, the Postal Service notes that "[a]ll service comes at a cost that must be paid from Postal Service revenue; if revenue cannot cover the cost of a given performance level, then revenue must be increased, costs must be reduced, lower performance must be accepted, or some combination of the three." *Id.* at 7. According to the Postal Service, this is precisely what its network modernization efforts seek to do. *Id.*

The Commission notes that mail that has a longer service standard will generally travel a longer distance and be subject to a greater number of potential delays; as such, it may be prone to poorer service performance than mail with a shorter service standard (which travels a shorter distance). But the Commission also acknowledges that this longer distance is largely accounted for in the underlying service standards. The Commission's recent advisory opinion expressed concern "that if the Postal Service fails to fully identify and analyze the problems seen in Richmond, Virginia and Atlanta, Georgia that it experienced following [Regional Processing and Delivery Center] activation and fully implement the lessons learned from those activations, then the network as a whole might suffer similarly substantial negative impacts on service performance and reliability."[91] Given the Postal Service's admitted focus on products other than First-Class Mail Single-Piece Letters/Postcards and that DFA Plan implementation is a contributing factor to the product's failure to achieve its targets in FY 2024, the Commission directs the Postal Service to develop and implement mitigation strategies to address the service performance delays resulting from DFA Plan implementation and report to the Commission about these strategies in the FY 2025 ACR.

d. USPS Marketing Mail

(1) FY 2023 ACD Directives

Finding that three USPS Marketing Mail products did not meet their FY 2023 service performance targets (High Density and Saturation Flats/Parcels, Flats, and EDDM-R), the Commission found that these products were out of compliance. FY 2023 ACD at 166. The Commission required the Postal Service to evaluate the efficacy of its FY 2024 initiatives to improve service performance and provide a detailed plan to improve performance. *See id.* at 166.

[91] Docket No. N2024-1, Advisory Opinion on the Operational and Service Standard Changes Related to the Delivering for America Plan, January 31, 2025, at 101-02 (Docket No. N2024-1, Advisory Opinion).

(2) Postal Service Report

The Postal Service notes that the service performance scores for several USPS Marketing Mail products increased from FY 2023 to FY 2024 and that three products exceeded their targets: (1) High Density and Saturation Letters; (2) Letters; and (3) Parcels. Library Reference USPS-FY24-29, Preface at 23. As directed in the FY 2023 ACD, for USPS Marketing Mail products that failed to achieve their on-time service performance targets in FY 2024, the Postal Service provided explanations of its progress at improving service performance. *See id.* at 24-26.

(3) Comments and Related Commission Analysis

The Public Representative observes that in both FY 2023 and FY 2024, "High[-]Density and Saturation Letters, [USPS] Marketing Mail Letters, and [USPS] Marketing Mail Parcels met their performance targets in each quarter." PR Comments at 32. While Carrier Route met its quarterly targets in FY 2023, it "barely missed its raised target in FY 2024." *Id.*

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

e. Periodicals

(1) FY 2023 ACD Directives

In FY 2023, the Commission explained that although both Periodicals products met their on-time service performance targets in FY 2023, because these products' targets remained below the targets set for other products (as well as those set historically), and because the Periodicals products performed below target from FY 2009 through FY 2021, the Commission directed the Postal Service to evaluate, for Periodicals falling below target, the efficacy of its FY 2024 initiatives to improve service performance and provide a detailed plan to improve performance. FY 2023 ACD at 171-72.

(2) Postal Service Report

The Postal Service explains that neither Periodicals product met its service performance target in FY 2024. Library Reference USPS-FY24-29, Preface at 27. As directed in the FY 2023 ACD, the Postal Service provided evaluations of the efficacy of its FY 2024 initiatives to improve service performance for both Periodicals products, as well as its plans to further remedy service performance for those products in FY 2025. *Id.* at 27-29.

(3) Comments and Related Commission Analysis

The Public Representative notes that in FY 2024, although Periodicals failed to meet its raised service performance targets, its service performance would still not have met targets even if they remained the same as in FY 2023. PR Comments at 33. As was the case in FY 2023, Quarter 1 had the lowest service performance of any quarter. *Id.*

The Commission remains concerned about the poor performance of Periodicals and will closely monitor the Postal Service's efforts to address these issues.

f. Package Services

(1) FY 2023 ACD Directives

The Commission found that FY 2023 was the twelfth consecutive year that the service performance result for BPM Flats was below its target and found it to be out of compliance. FY 2023 ACD at 176. To address this issue, the Commission directed the Postal Service to evaluate the efficacy of its FY 2024 initiatives to improve service performance for BPM Flats and provide a detailed plan to improve performance in FY 2025. *Id.* at 176-77.

(2) Postal Service Report

The Postal Service reports that service performance for BPM Parcels and Media Mail/Library Mail exceeded their target in FY 2024, but that BPM Flats did not. Library Reference USPS-FY24-29, Preface at 30. As directed in the FY 2023 ACD, the Postal Service provided evaluations of the efficacy of its FY 2024 initiatives to improve service performance for Package Services products, as well as its plans to further remedy service performance for those products in FY 2025. *See id.* at 30-32.

(3) Comments and Related Commission Analysis

The Public Representative explains that, as in FY 2023, in FY 2024 BPM Flats failed to meet its service performance target, although the Public Representative notes that the Postal Service is seeking to remove BPM Flats and BPM Parcels from the Market Dominant Product list. PR Comments at 34. He also notes that, in both FY 2023 and FY 2024, "except for [BPM] Flats, service performance targets were met for each quarter." *Id.* at 35.

The Commission acknowledges the Postal Service's efforts but remains concerned about BPM Flats' continued underperformance. The directives below seek further information on ongoing challenges and potential improvements.

g. Special Services

(1) FY 2023 ACD Directives

Finding that two Special Services products (Post Office Box Service and Ancillary Services) failed to meet their service performance targets for FY 2023, the Commission deemed both to be out of compliance. FY 2023 ACD at 178. The Commission directed the Postal Service to evaluate the efficacy of its FY 2024 initiatives to improve service performance and provide a detailed plan to improve performance in FY 2025. *Id.*

(2) Postal Service Report

The Postal Service notes that Post Office Box Service "up-time performance" improved over FY 2024 in many locations and that on-time service performance for Ancillary Services increased from FY 2023 to FY 2024. Library Reference USPS-FY24-29, Preface at 32-33. As directed in the FY 2023 ACD, the Postal Service provided evaluations of the efficacy of its FY 2024 initiatives to improve service performance for Post Office Box Service and

Ancillary Services, as well as its plans to further remedy service performance for those products in FY 2025. *Id.*

(3) Comments and Related Commission Analysis

No comments specific to Special Services were filed.

3. Commission Findings and FY 2025 Directives

The following products/categories did not meet their targets in FY 2024:

- First-Class Mail
  - Single-Piece Letters/Postcards, 2-Day;
  - Single-Piece Letters/Postcards, 3-to-5-Day;
  - Presorted Letters/Postcards, Overnight;
  - Presorted Letters/Postcards, 2-Day;
  - Presorted Letters/Postcard, 3-to-5-Day;
  - Flats, Overnight;
  - Flats, 2-Day;
  - Flats, 3-to-5-Day;
  - Outbound Single-Piece First-Class Mail International;
  - International Inbound Letter Post;
- USPS Marketing Mail
  - Carrier Route;
  - High Density and Saturation Flats/Parcels;
  - Flats;
  - EDDM-R;
- Periodicals
  - In-County;
  - Outside County;
- Package Services
  - BPM Flats;
- Special Services
  - Ancillary Services; and
  - Post Office Box Service.

The Commission finds that these products/categories were out of compliance in FY 2024. The Commission directs the Postal Service to improve service performance results to achieve the applicable on-time percent target level for these non-compliant products in FY 2025. The Postal Service should properly and thoroughly determine the underlying reasons for this decline in service performance and in turn when this analysis is complete create and implement plans that will improve service performance results to achieve the applicable on-time percent target levels in FY 2025.

The Commission directs the Postal Service to assess the effectiveness of its nationwide transit and Last Mile improvement initiatives. The evaluation should include a review of progress in ensuring timely departures, tendering to transit suppliers, minimizing en-route delays, and enhancing Last Mile education and accountability. The Postal Service is required to describe planned initiatives, identify problems to be addressed, outline the timeframe for implementation, and specify key performance indicators (KPIs) for each initiative. Additionally, the evaluation should include quantitative comparisons with previous fiscal years (e.g., compare FY 2025 Quarter 1 to FY 2024 Quarter 1).

Second, the Commission directs the Postal Service to provide information for each of the geographic Postal Service Divisions detailing progress in addressing root causes of delivery failures and the initiatives implemented to improve the performance of non-compliant First-Class Mail, USPS Marketing Mail, Periodicals, and Package Services products/categories. For each Division, the Postal Service shall provide a detailed plan to improve on-time service performance results for each class of mail that describes each planned initiative, the problem that the planned initiative is expected to remediate, the estimated timeframe for implementation and completion of each planned initiative, and the KPI(s) used to measure and evaluate progress toward completion. These reports should include quantitative data comparisons to previous fiscal years, (e.g., Q1 FY 2025 vs. Q1 FY 2024), with qualitative support where possible. The reports are due within 90 days of the issuance of this ACD and must be updated at the time of the FY 2025 Annual Compliance Report (ACR).

Third, the Commission also directs the Postal Service to provide CLT data for FY 2025, broken down by the nation, each area, and district, on a quarterly and annualized basis. These data should be submitted within 90 days of the issuance of this ACD (by June 26, 2025) for FY 2025 Quarter 1, Quarter 2, and "mid-year."[92] *Data shall be provided for FY 2024 Quarter 3 and Quarter 4, and annualized for the fiscal year in the FY 2025 ACR (by December 30, 2025).*

Fourth, to monitor the Postal Service's initiatives to improve on-time service performance results for Inbound Letter Post and Outbound Single-Piece First-Class Mail International, the Commission directs the Postal Service to evaluate the efficacy of these initiatives at each ISC and the Honolulu facility. Reports should detail the progress made in implementing these initiatives, the plans for further improvements, data illustrating volume processed, and comparisons to the previous year (e.g., compare FY 2025 Quarter 1 to FY 2024 Quarter 1). These reports should include quantitative analysis, KPIs, and qualitative support where

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

possible. The report for each facility shall be filed within 90 days of the issuance of this ACD. An updated report from each facility shall be filed at the time of the FY 2025 ACR.

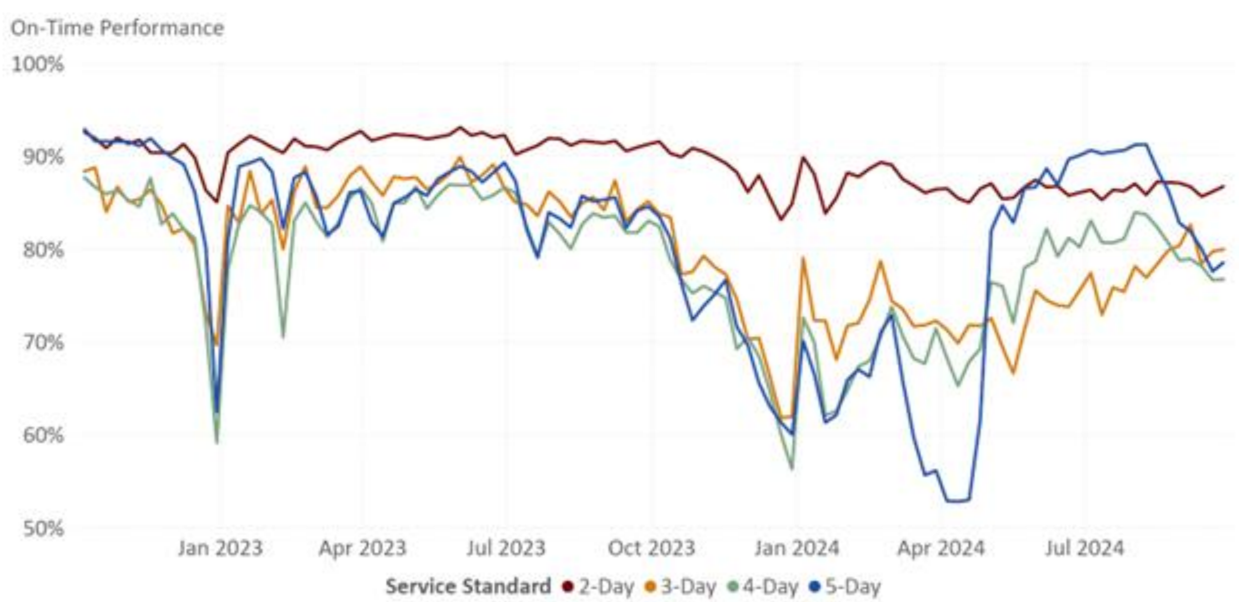
Fifth, the Commission directs the Postal Service to provide the following information in the FY 2025 ACR for Post Office Box Service and Ancillary Services: (1) an evaluation of the efficacy of the Postal Service's FY 2025 initiatives (including the status of initiatives identified in previous dockets) to improve service performance for each product; and (2) a detailed plan explaining how each product's results will be improved.

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

4. Service Performance Trends

Figure VI-2 displays the nationwide on-time service performance for First-Class Mail Single-Piece Letters/Postcards by service standard in FY 2023 and FY 2024.

Figure VI-2
First-Class Mail, Single-Piece Letters/Postcards
Nationwide On-Time Service Performance by Service Standard, FY 2023–FY 2024



Source: USPS Service Performance Dashboard Source Data Extract File, available at *https://spm.usps.com/#/main*.

In FY 2024, for Single-Piece Letters/Postcards with a 2-Day service standard, delivery performance was lower on average compared to FY 2023, though the decline was less severe than for other service categories. Since the 2-Day service standard primarily covers local mail, it is relatively insulated from the broader network and transportation changes that have negatively impacted mail that spent more time in the system. While 2-Day performance showed some fluctuation, it has remained relatively stable, with scores generally hovering around 91.0 percent.

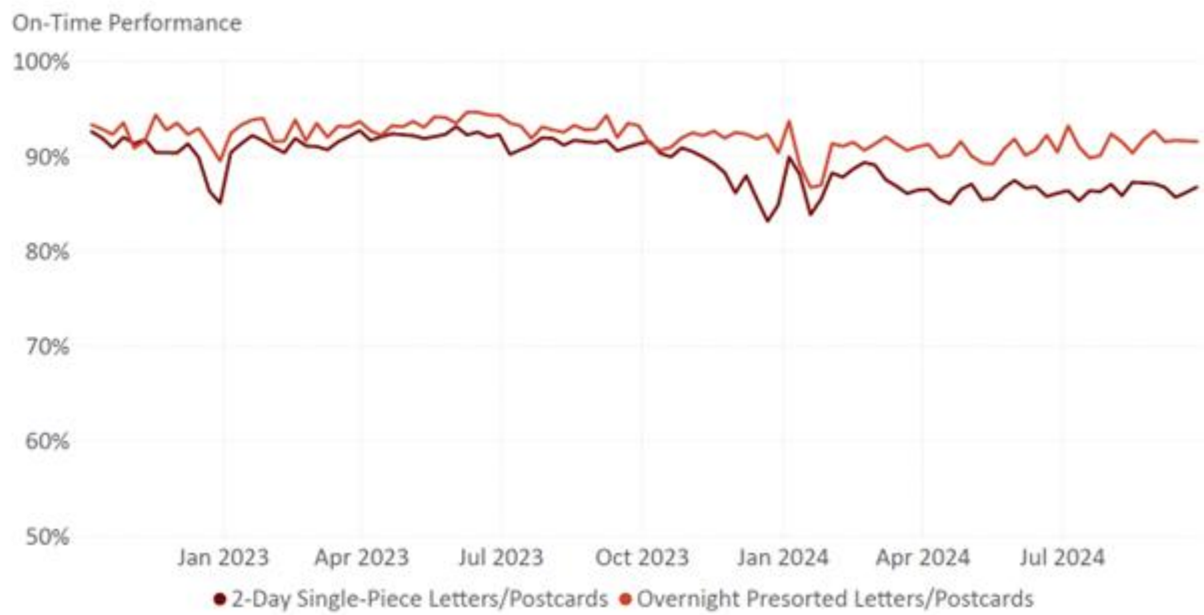
In contrast, 3-Day and 4-Day delivery in FY 2024 exhibited greater variability, with delivery scores showing wider fluctuations. While FY 2023 performance was similar for Single-Piece Letters/Postcards with a 3-Day, 4-Day, and 5-Day service standard, FY 2024 saw distinct trends.

Through April 2024, Single-Piece Letters/Postcards with a 3-Day service standard consistently outperformed Single-Piece Letters/Postcards with a 4-Day service standard. However, starting in May, performance for the 4-Day service standard surpassed that of 3-Day, suggesting that operational adjustments or network changes disproportionately impacted the latter. Both categories experienced a decline in performance compared to FY 2023, with performance scores decreasing by 11.0 percentage points for the 3-Day service standard, and by 9.9 percentage points for the 4-Day service standard.

For Single-Piece Letters/Postcards with a 5-Day service standard, delivery performance in FY 2024 exhibited more fluctuations and lower overall performance compared to FY 2023. In FY 2024, weekly performance scores ranged from 62.4 percent to 92.9 percent, resulting in a score of 73.2 percent, a 12.4 percentage point decrease from FY 2023. As Figure VI-2 shows, the performance of Single-Piece Letters/Postcards with a 5-Day service standard did recover starting in May of FY 2024, with performance for the 5-Day service standard exceeding the performance of the 3-Day and 4-Day categories. For Presorted Letters/Postcards categories, delivery performance in FY 2024 followed the same general trends as those observed for Single-Piece Letters/Postcards. However, the declines and fluctuations were less severe for Presorted Letters/Postcards, likely because presorted mail benefits from streamlined processing and handling and therefore is less affected by the broader network challenges than single-piece mail.

Figure VI-3 displays the nationwide on-time service performance for Single-Piece Letters/Postcards with a 2-Day service standard compared with Presorted Letters/Postcards with an Overnight service standard in FY 2023 and FY 2024.

Figure VI-3
First-Class Mail, 2-Day Single-Piece Letters/Postcards and Overnight Presorted Letters/Postcards Nationwide On-Time Service Performance, FY 2023–FY 2024



Source: USPS Service Performance Dashboard Source Data Extract File, available at *https://spm.usps.com/#/main*.

As Figure IV-3 demonstrates, like FCM Single-Piece Letters/Postcards with a 2-Day service standard, Presorted Letters/Postcards with an Overnight service standard, which represent local mail, had relatively stable performance throughout FY 2024. Nonetheless, the on-time performance score decreased by 1.4 percentage points compared to FY 2023.

Figure VI-4 displays the nationwide on-time service performance for Presorted Letters/Postcards by service standard (excluding Overnight) in FY 2023 and FY 2024.

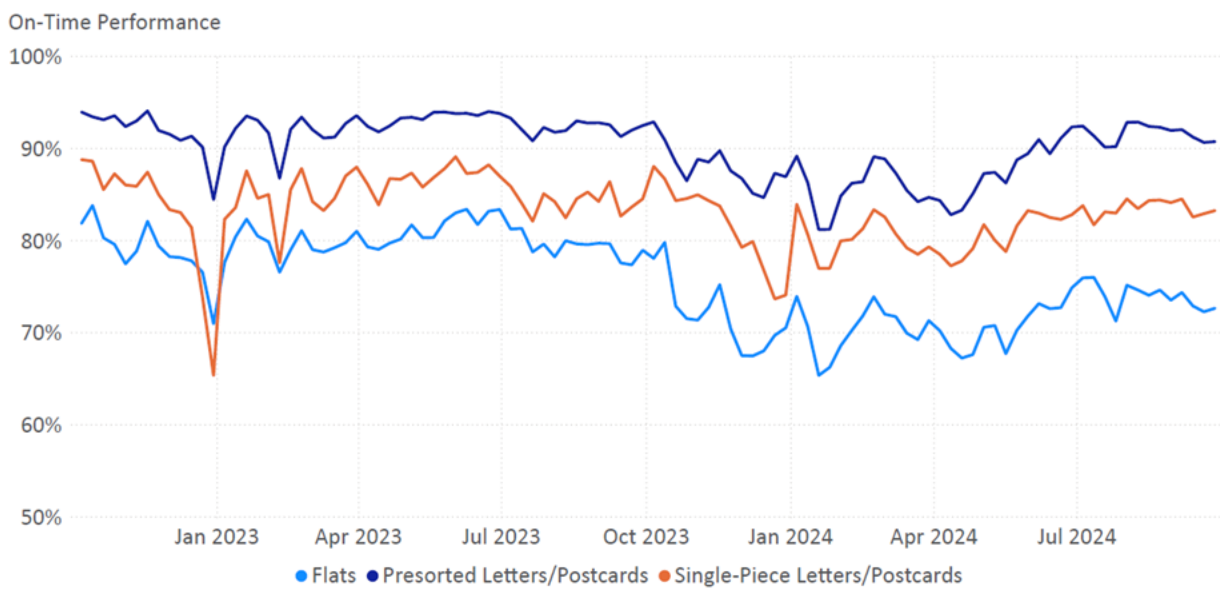
Figure VI-4
First-Class Mail, Presorted Letters/Postcards (excluding Overnight)
Nationwide On-Time Service Performance, FY 2023–FY 2024

Source: USPS Service Performance Dashboard Source Data Extract File, available at *https://spm.usps.com/#/main*.

On an annual basis, on-time scores for other service standards experienced a sharper decline, with on-time scores decreasing by 2.3 percentage points, 5.4 percentage points, 4.2 percentage points, and 8.3 percentage points, for the 2-Day, 3-Day, 4-Day, and 5-Day service standards, respectively.

Figure VI-5 displays the nationwide on-time service performance for Single-Piece Letters/Postcards compared with Presorted Letters/Postcards and First-Class Mail Flats in FY 2023 and FY 2024.

Figure VI-5
First-Class Mail, Single-Piece Letters/Postcards, Presorted Letters/Postcards, and Flats Nationwide On-Time Service Performance by Service Standard, FY 2023–FY 2024

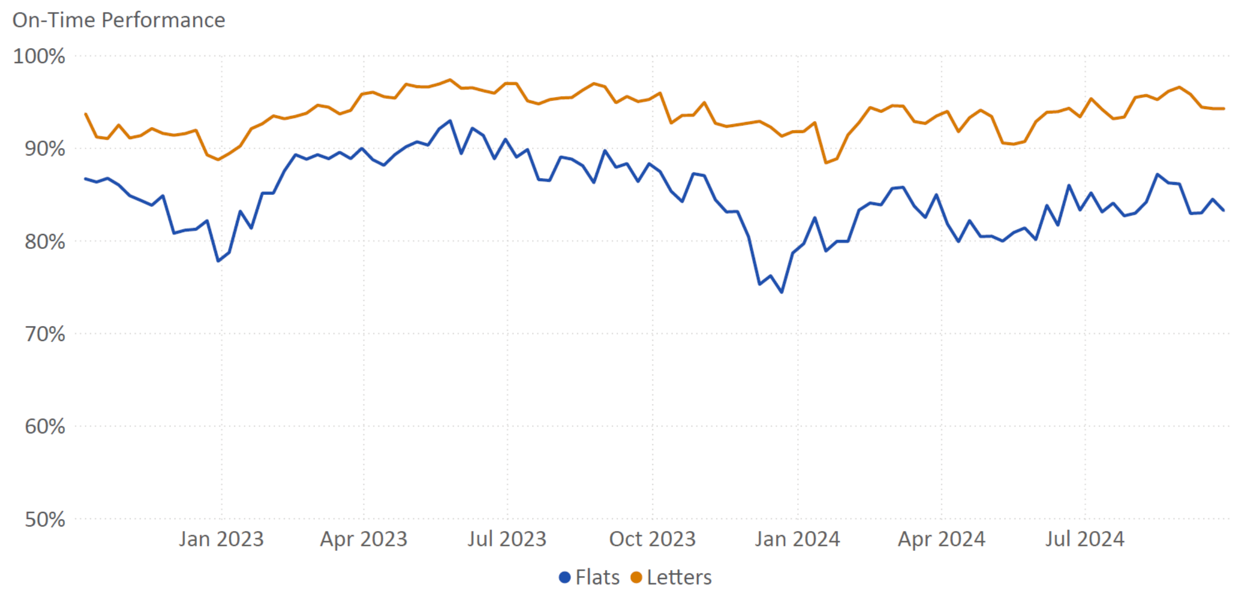


Source: USPS Service Performance Dashboard Source Data Extract File, available at *https://spm.usps.com/#/main*.

Performance scores for First-Class Mail Flats followed the same general pattern as Single-Piece Letters/Postcards and Presorted Letters/Postcards. However, as Figure VI-5 shows, the performance scores for Flats consistently trail scores for both Single-Piece Letters/Postcards and Presorted Letters/Postcards.

The same pattern is observed when comparing categories of letter-shaped and flat-shaped USPS Marketing Mail. Figure VI-6 displays the nationwide on-time service performance for USPS Marketing Mail Letters and USPS Marketing Mail Flats in FY 2023 and FY 2024.

Figure VI-6
USPS Marketing Mail Letters and USPS Marketing Mail Flats
Nationwide On-Time Service Performance by Service Standard, FY 2023–FY 2024

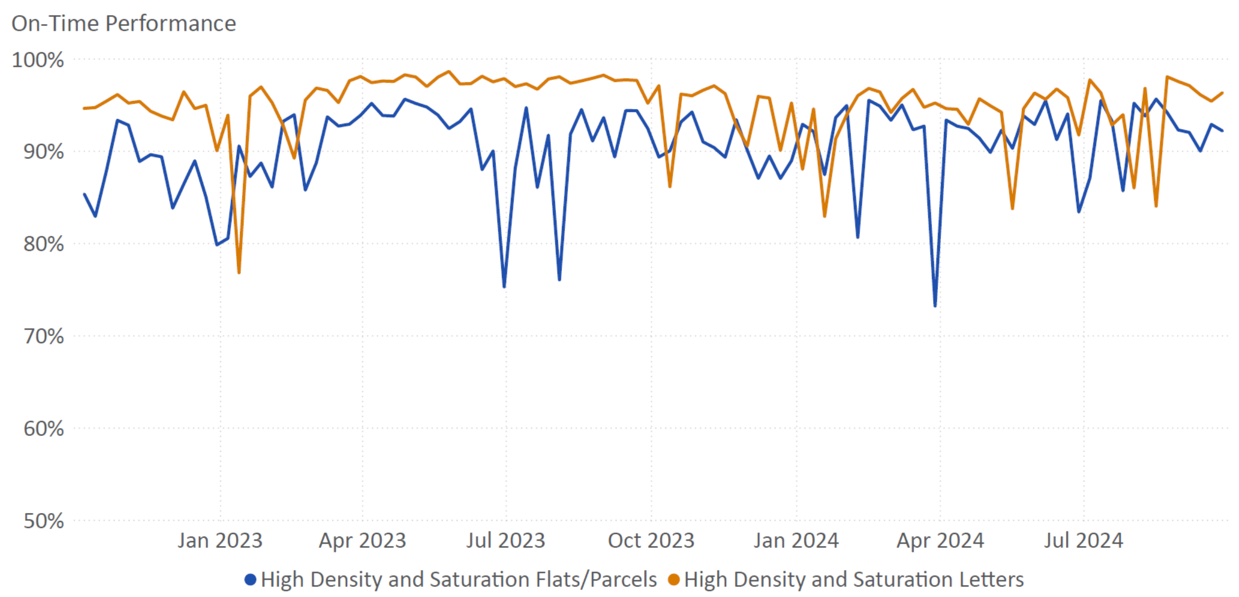


Source: USPS Service Performance Dashboard Source Data Extract File, available at *https://spm.usps.com/#/main*.

USPS Marketing Mail categories in general have higher performance scores compared with First-Class Mail categories due to the more permissive service standards for USPS Marketing Mail. However, the performance gap between letter-shaped and flat-shaped persists even with the more relaxed standards. In FY 2024, the on-time performance of USPS Marketing Mail Letters was 95.2 percent, 10.1 percentage points higher than that of USPS Marketing Mail Flats.

Figure VI-7 displays the nationwide on-time service performance for High Density and Saturation Letters and High Density and Saturation Flats and Parcels in FY 2023 and FY 2024.

Figure VI-7
High Density and Saturation Letters and High Density and Saturation Flats and Parcels Nationwide On-Time Service Performance by Service Standard, FY 2023–FY 2024

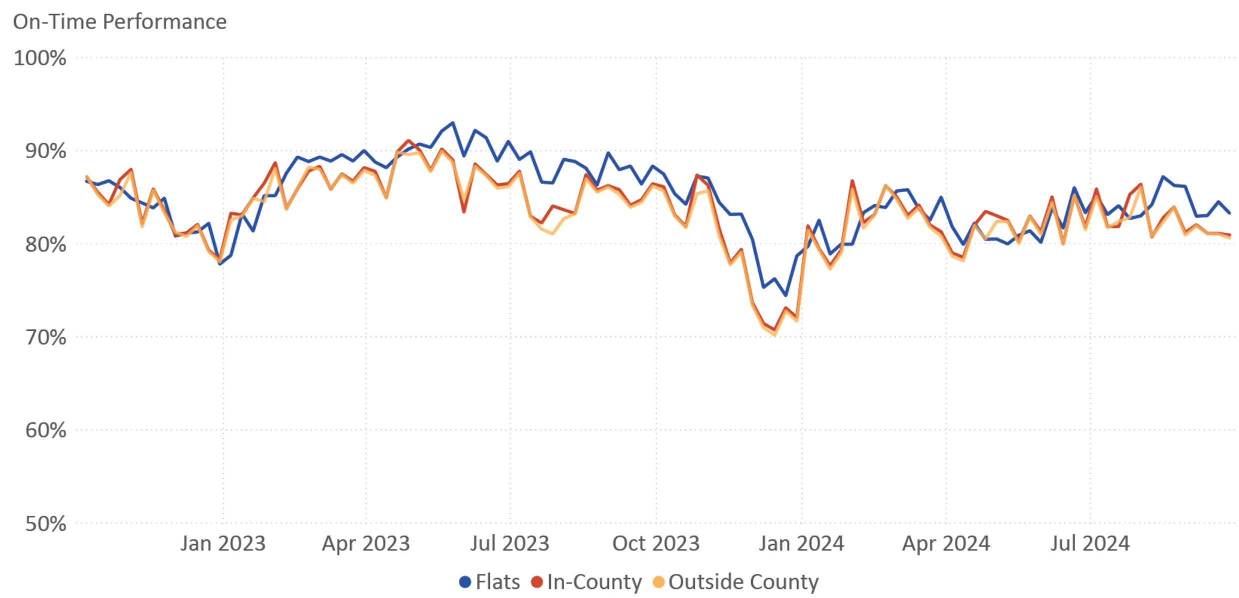


Source: USPS Service Performance Dashboard Source Data Extract File, available at *https://spm.usps.com/#/main*.

As Figure VI-7 shows, service performance for High Density and Saturation Letters also exceeds the performance of High Density and Saturation Flats and Parcels. However, service performance for both of these categories is higher than for other letters and flats categories, likely because High Density and Saturation mail benefits from streamlined processing and delivery, as these items are often presorted and concentrated in specific delivery areas, reducing handling time and complexity.

Figure VI-8 displays the nationwide on-time service performance for Periodicals and USPS Marketing Mail Flats in FY 2023 and FY 2024.

Figure VI-8
Periodicals and USPS Marketing Mail Flats
Nationwide On-Time Service Performance by Service Standard, FY 2023–FY 2024

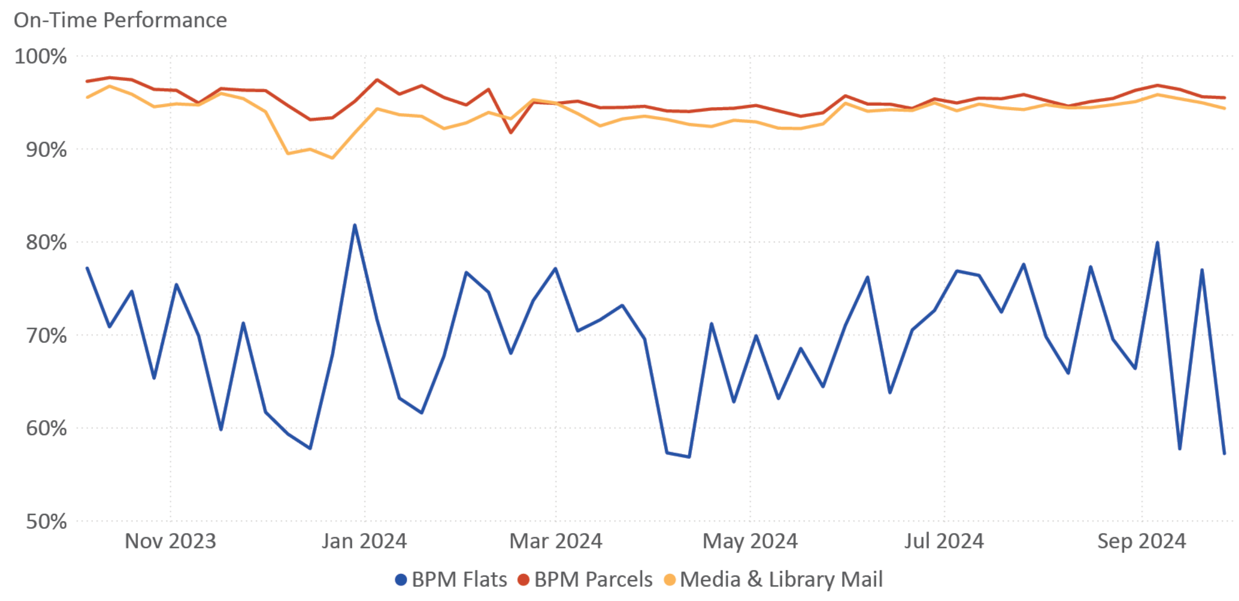


Source: USPS Service Performance Dashboard Source Data Extract File, available at *https://spm.usps.com/#/main*.

Periodicals and USPS Marketing Mail share comparable service standards, with delivery times ranging from 3-9 days for Periodicals and 3-10 days for USPS Marketing Mail. Additionally, both products include flat-shaped pieces, which perform similarly within their respective service windows. As shown in Figure VI-8, these factors contributed to the FY 2024 annual on-time performance of 83.3 percent for In-County Periodicals, 83.0 percent for Outside County Periodicals, and 85.1 percent for USPS Marketing Mail Flats.

Figure VI-9 displays the nationwide on-time service performance for Package Services in FY 2023 and FY 2024:

Figure VI-9
Package Services
Nationwide On-Time Service Performance by Service Standard, FY 2024



Source: USPS Service Performance Dashboard Source Data Extract File, available at *https://spm.usps.com/#/main*.

Lastly, parcel-shaped pieces generally outperform letter-shaped and flat-shaped pieces, likely benefiting from the Postal Service's focus on delivering high-quality service for its Competitive parcel products. As Figure VI-9 shows, parcel-shaped Package Services products had a relatively strong performance in FY 2024.

5. Election Mail and Political Mail

This section provides an overview of the Postal Service's performance in delivering Political Mail and Election Mail during FY 2024 (October 1, 2023 through September 30, 2024). Political Mail and Election Mail are not distinct Postal Service products; instead, these items are sent using the Postal Service's existing First-Class Mail and USPS Marketing Mail products.[93] While the general election for Federal offices (including President, Vice President, and U.S. Congress) and numerous state and local offices took place on November 5, 2024 (in FY 2025, Quarter 1), states held primary and runoff elections from January 15, 2024 through September 2024 (in FY 2024).[94] Therefore, additional context from FY 2025, Quarter 1 is also included in this section where appropriate to ensure comparability of available data.

The Postal Service explains that Election Mail consists of three components: non-ballot election mail such as voter registration materials; outbound ballots from the Boards of Election to voters; and inbound ballots from voters back to the Boards of Election. Response to CHIR No. 7, question 7.a. For purposes of measurement, outbound ballots are identified by "educe indicators and Service Type IDs (STIDs) that are part of intelligent mail barcodes[,]" while inbound ballots are identified by these methods as well as a delivery point reference list that uses known return addresses of the Boards of Election (BOE). *Id.* The Postal Service measures Election Mail through mail processing scores, rather than on-time service performance.[95]

The Postal Service reported that it successfully delivered Election Mail throughout FY 2024, beginning with the primary season and continuing through preparations for the general election. FY 2024 ACR at 43. According to the Postal Service, ballot mail delivery times outpaced standard First-Class Mail, a result attributed to year-round operational practices and extraordinary measures implemented in the final weeks of the election cycle. *Id.* These extraordinary measures included deploying additional resources and deviating from standard procedures at approximately 31,000 locations to isolate and expedite election mail. *Id.* Additionally, the Postal Service reports that some ballot mail was processed manually without automation, particularly inbound ballots going to Boards of Election. Response to CHIR No. 7, question 7.c. Since FY 2020, between 90 and 93.1 percent of inbound ballots to Boards of Elections used automated processing. *Id.* question 7.d.

[93] *See* United States Postal Service, *Postal Bulletin* No. 22591, February 10, 2022, at 5, available at *https://about.usps.com/postal-bulletin/2022/pb22591/html/cover_005.htm*.

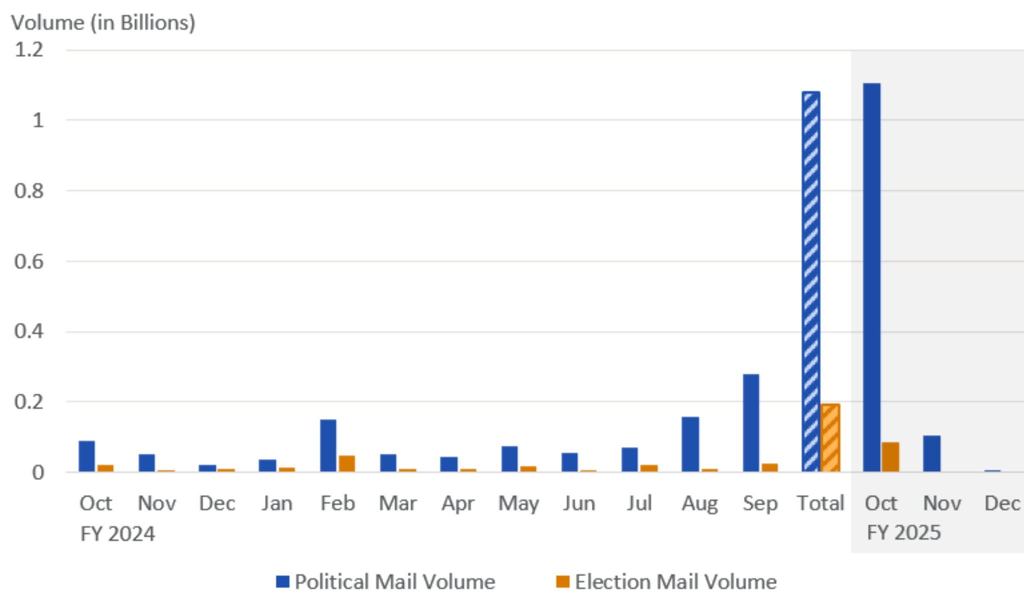
[94] *See* United States Postal Service, *Postal Bulletin* No. 22648, April 18, 2024, at 4, available at *https://about.usps.com/postal-bulletin/2024/pb22648/pb22648.pdf*.

[95] *Id.* Additionally, for purposes of the analysis conducted by the Postal Service after the 2024 election, "inbound ballot measurement also includes a manual survey component in which locally processed ballots that bypass automated processing and are transported directly from the originating post office to the BOE receive a same day delivery assumption." *Id.*

During FY 2024, the Postal Service delivered approximately 194 million Election Mail pieces and 1.1 billion Political Mail pieces. *See* Response to CHIR No. 1, question 11. The total volume for the 2024 election cycle, covering FY 2024 and the first quarter of FY 2025, was approximately 285 million Election Mail pieces and 2.3 billion Political Mail pieces. *Id.*

Figure VI-10 displays Political Mail and Election Mail volumes by month, for October 2023 through December 2024 (which includes all of FY 2024 and the first 3 months of FY 2025).

Figure VI-10
Political Mail and Election Mail, by Month, October 2023–December 2024



Source: Response to CHIR No. 1, question 11.

Note: Election Mail volume was approximately 4.4 million pieces in November 2023; approximately 8.4 million pieces in December 2023; approximately 10.3 million pieces in March 2024; approximately 6 million pieces in June 2024; approximately 3.4 million pieces in November 2024; and approximately 1.1 million pieces in December 2024. Political Mail volume was approximately 6 million pieces in December 2024.

As Figure VI-10 demonstrates, most Political Mail and Election Mail—1.1 billion and 86.3 million pieces, respectively—was delivered in October 2024 (in the first quarter of FY 2025). *See* Response to CHIR No. 1, question 11. Within FY 2024, the greatest volume was delivered in September 2024—approximately 280 million Political Mail pieces and 26 million Election Mail pieces. *Id.*

Table VI-4 compares Political Mail and Election Mail volumes for FY 2016, FY 2020, and FY 2024 (i.e., leading up to the general elections of November 2016, November 2020, and November 2024, respectively).

Table VI-4
Political Mail and Election Mail Volume, FY 2016, FY 2020, and FY 2024

Mail Volume (in Billions)	FY 2016	FY 2020	FY 2024
Political Mail	1.080	1.930	1.078
Election Mail	0.192	0.427	0.194
Total	**1.272**	**2.347**	**1.274**

Source: FY 2020 ACD at 137 (for FY 2016 and FY 2020); Response to CHIR No. 1, question 11 (for FY 2024).

As Table VI-4 demonstrates, FY 2024 Political Mail and Election Mail volume decreased from the elevated levels observed in FY 2020, a year significantly impacted by the COVID-19 pandemic. However, FY 2024 Political Mail and Election Mail volumes were similar to the levels observed in FY 2016.

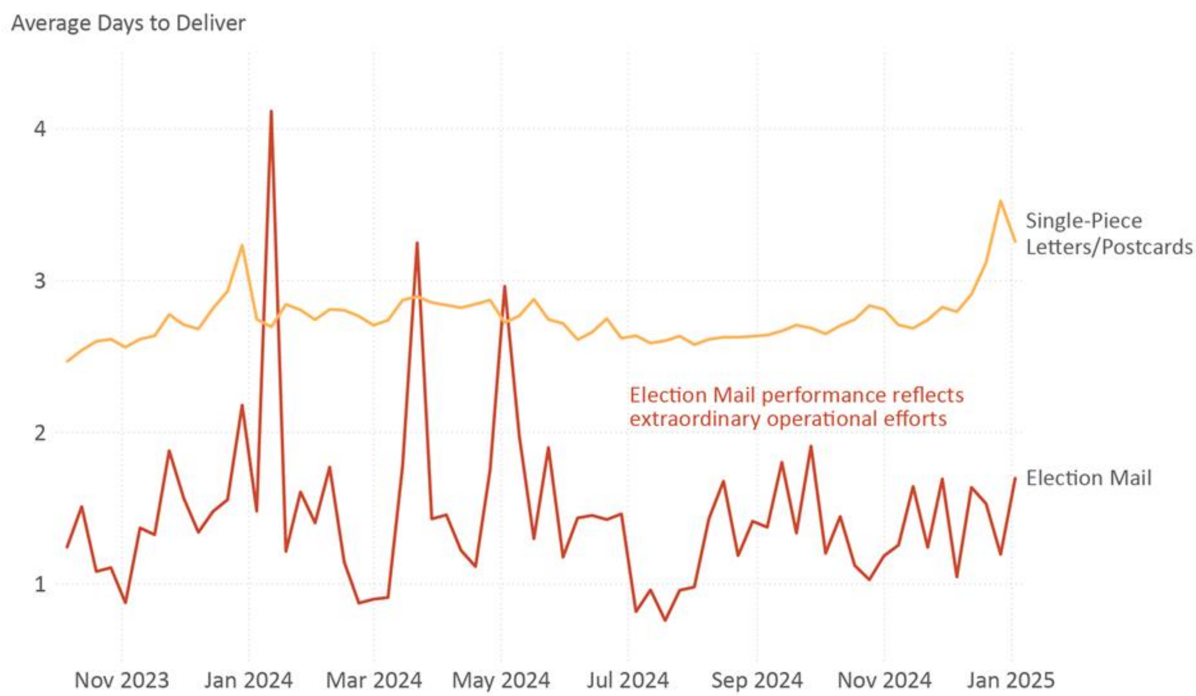
For the 2024 general election, the Postal Service reported operating without major disruptions, with high performance for ballot mail during the first 3 weeks of October.[96] The average delivery time for completed ballots returned by voters was 1 day, while ballots sent to voters averaged 1.95 days.[97] The Postal Service estimates that 99.88 percent of ballots mailed by voters to election officials were delivered within 7 days, 99.64 percent within 5 days, and 97.73 percent within 3 days. *Id.*

[96] United States Postal Service, U.S. Postal Service is Ready to Deliver the Nation's Election Mail, October 28, 2024, available at *https://about.usps.com/newsroom/local-releases/dc/2024/1028-usps-is-ready-to-deliver-the-nations-election-mail.htm*.

[97] United States Postal Service, 2024 Post-Election Analysis Report: Delivering the Nation's Election Mail Securely and Effectively, December 2, 2024, at 3, available at *https://about.usps.com/what/government-services/election-mail/pdf/usps-post-election-report-2024-12-02.pdf*.

Figure VI-11 shows the average days to deliver for Election Mail sent as First-Class Mail between October 2023 and December 2024, compared to standard First-Class Mail Single-Piece Letters/Postcards.

Figure VI-11
Election Mail Sent Using First-Class Mail and First-Class Mail Single-Piece Letters and Postcards, Average Days to Deliver by Week, October 2023–December 2024



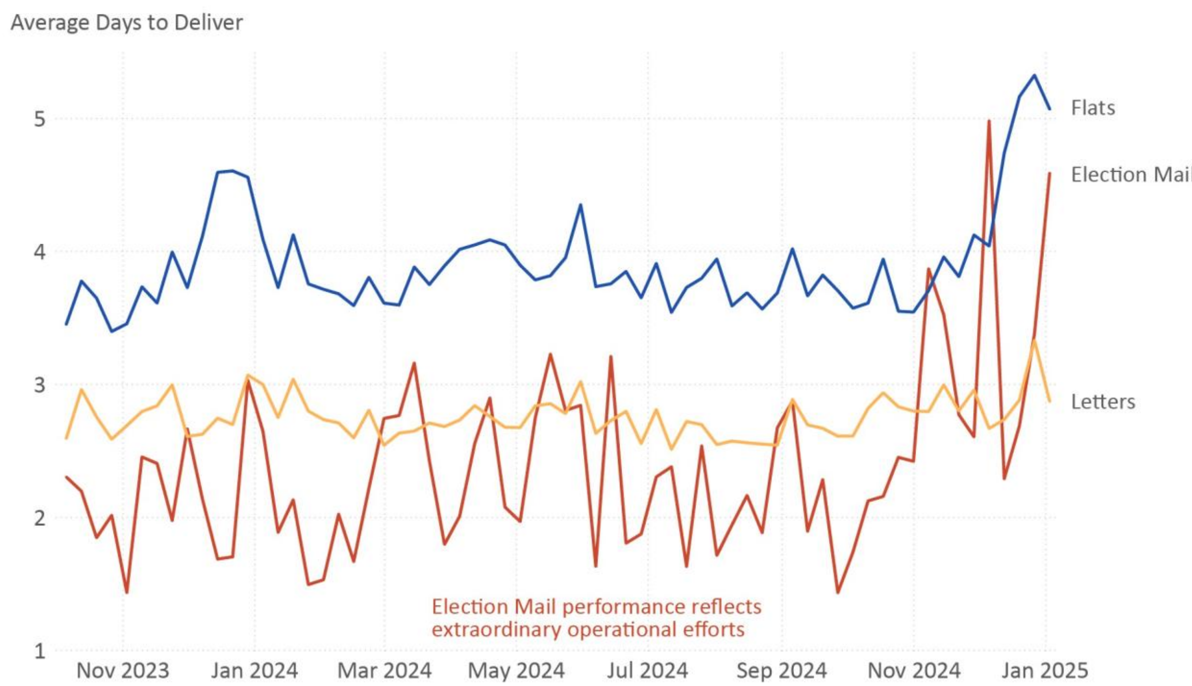
Source: USPS Service Performance Dashboard Source Data Extract File.

Note: The figure includes weekly service performance data through January 3, 2025, which represents the final week of December 2024.

Election Mail performance appears more volatile, likely due to its relatively small sample size. On a weekly basis, with few exceptions, Election Mail outperformed Single-Piece Letters/Postcards.

Similarly, Figure VI-12 compares the delivery time of Election Mail sent as USPS Marketing Mail to that of standard USPS Marketing Mail Letters and USPS Marketing Mail Flats.

Figure VI-12
Election Mail Sent Using USPS Marketing Mail, USPS Marketing Mail Letters and USPS Marketing Mail Flats, Average Days to Deliver by Week, October 2023–December 2024



Source: USPS Service Performance Dashboard Source Data Extract File.

Note: The figure includes weekly service performance data through January 3, 2025, which represents the final week of December 2024.

As with First-Class Mail, Election Mail volume within USPS Marketing Mail was relatively small, contributing to observed volatility. With the exceptions of the week ending November 8, 2024 and the week ending December 6, 2024, Election Mail outperformed USPS Marketing Mail Flats by more than a day on average. On average, Election Mail also outperformed USPS Marketing Mail Letters; however, in 14 out of the 66 weeks depicted, average days to deliver was higher for Election Mail than for USPS Marketing Mail Letters.

B. Customer Access to Postal Services

1. Executive Summary

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

- The Commission finds that customers appear to have had sufficient access to postal services in FY 2024
- The Postal Service must continue filing quarterly reports on the status of Post Offices suspended before FY 2017 and begin reporting on the status of Post Offices suspended between FY 2017 and FY 2023
- Although wait time in line increased in FY 2024, customer surveys indicate that wait time in line was acceptable

2. Background

The PAEA requires the Postal Service to report in the ACR "measures of the quality of service afforded by the Postal Service in connection with [each Market Dominant] product, including . . . the degree of customer satisfaction with the service provided." 39 U.S.C. § 3652(a)(2)(B)(ii); *see* 39 C.F.R. § 3055.90. 39 C.F.R. § 3055.91 requires the Postal Service to provide information pertaining to four aspects of customer access: Post Offices (including closings and emergency suspensions), residential and business delivery points, collection boxes, and wait time in line. The FY 2024 ACR and Library Reference USPS-FY24-33 contain customer access information responsive to the requirements of Title 39 and the Commission's regulations.[98] The Postal Service provided additional information in a CHIR response. Response to CHIR No. 1, questions 12-22; January 30 Response to CHIR No. 4, questions 1-11; Response to CHIR No. 7, questions 1-5; Response to CHIR No. 8, questions 10-17; Response to CHIR No. 10, questions 1-3.

3. Brick and Mortar Locations

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

For each fiscal year, the ACR must include data on the number of retail facilities at the beginning and end of the fiscal year, as well as the number of retail facility closings during

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[98] FY 2024 ACR at 84-85; Library Reference USPS-FY24-33, December 30, 2024.

the fiscal year. 39 C.F.R. § 3055.91(a)(1)-(3). The Postal Service filed FY 2024 data in its FY 2024 *Annual Report to Congress*. Table VI-5 compares the number of retail facilities from FY 2022 through FY 2024.

Table VI-5
Number of Retail Facilities, FY 2022–FY 2024

Facility Type	FY 2022	FY 2023	FY 2024	FY 2024 Change from FY 2023	FY 2024 Change from FY 2022
Post Offices	26,265	26,257	26,207	-50	-58
Classified Stations & Branches and Carrier Annexes	4,849	4,856	4,841	-15	-8
Total Postal-Managed	31,114	31,113	31,048	-65	-66
Contract Postal Units	1,731	1,650	1,600	-50	-131
Village Post Offices	377	350	306	-44	-71
Community Post Offices	397	375	359	-16	-38
Total Non-Postal-Managed	2,505	2,375	2,265	-110	-240
Total Retail Facilities	33,619	33,488	33,313	-175	-306

[a] The number of FY 2023 classified stations, branches, and carrier annexes in the FY 2024 Annual Report is slightly lower than the number reported in the FY 2023 ACR because the Postal Service removed duplicate entries. FY 2024 ACR at 84 n.53

Source: FY 2024 Annual Report at 32.

The total number of retail facilities in FY 2024 was 33,313, which was 175 fewer than FY 2023. Between FY 2023 and FY 2024, the number of retail facilities declined for each facility type. The largest decrease between FY 2023 and FY 2024 was in the number of Post Offices and CPUs, which each decreased by 50. The Commission will continue to monitor the number of retail facilities in the FY 2025 ACR to ensure customers have continued access to postal services.

In the FY 2023 ACD, the Commission identified inconsistencies and inaccuracies regarding data on retail facilities and directed the Postal Service to provide consistent data among the FY 2024 Annual Report, FY 2024 ACR, and Library Reference USPS-FY24-33. FY 2023 ACD at 179-182. The FY 2024 data were consistent except for the number of FY 2023 stations, branches, and carrier annexes, which the Postal Service reconciled in the FY 2024 ACR. *See* FY 2024 ACR at 84 n.53.

The Commission finds that the Postal Service complied with the directive to file accurate and consistent data on retail facilities and reconcile any discrepancies. The Postal Service must continue reporting the number of contractor-operated retail facilities using the Contract Postal Unit Technology system. The FY 2025 Annual Report, FY 2025 ACR, and Library Reference USPS-FY25-33 must report the same number of retail facilities as the FY 2024 Annual Report at 32. If there are any discrepancies, the Postal Service must identify and reconcile them in the FY 2025 ACR.

4. Suspended Post Offices

A Post Office is suspended when the Postal Service stops operations at a Post Office because "an emergency or other condition requires such action."[99] The Postal Service tracks data on suspensions using the Change Suspension Discontinuance Center (CSDC) system. FY 2023 ACD at 184. A Post Office suspension is resolved (removed from suspension status) when it is reopened or officially discontinued according to the Post Office discontinuance process in Handbook PO-101.

For each fiscal year, the Postal Service must provide information on the number of suspended Post Offices at the beginning and end of the fiscal year, as well as the number of Post Offices suspended during the fiscal year. 39 C.F.R. § 3055.91(a)(4)-(6). Section VI.B.4.a. discusses the status of the Post Offices suspended before FY 2017, an issue the Commission has been monitoring for the past 8 years. Section VI.B.4.b. discusses Post Offices suspended after FY 2017.

a. Suspended Before FY 2017

Since FY 2017, the Commission has monitored the Postal Service's progress in resolving the 663 Post Offices suspended before FY 2017. The Commission's oversight of suspensions between FY 2017 and FY 2023 is described in the FY 2023 ACD and Order No. 6101. FY 2023 ACD at 185-200; Order No. 6101 at 18-26. At the end of FY 2023, the Postal Service reported that there were 78 Post Offices suspended before FY 2017. *See* FY 2023 ACD at 195. During FY 2024, it complied with the Commission's ACD directives to file quarterly Post Office suspension reports for FY 2024 and FY 2025, Quarter 1. These reports also included status updates on the public suspensions dashboard, revised Handbook PO-101, and staffing.

In the FY 2025, Quarter 1 report, the Postal Service discovered 4 additional Post Offices suspended before FY 2017 that were not included among the 663 suspensions initially identified.[100] Including these suspensions, at the end of CY 2024, there are 7 remaining Post Offices suspended before FY 2017. *Id*.

The Public Representative comments that despite the slight increase in the total number of suspensions, the Postal Service made progress in reducing the backlog in FY 2024. PR Comments at 42. He encourages the Postal Service to work with local government officials and stakeholders to pursue solutions to resolve suspensions. *Id*. at 44.

The Commission acknowledges the Postal Service's progress in resolving most of the Post Offices suspended before FY 2017. However, it is concerned that the Postal Service

[99] Handbook PO-101 at 39, App'x A at 54. Post Office suspensions may result from: natural disasters, terminating a lease or rental agreement when suitable alternate quarters are not available, lack of qualified personnel to operate the retail facility, irreparable or severe damage to the retail facility, challenge to the sanctity of the mail, and lack of adequate measures to safeguard the retail facility or its revenues. *Id*. at 39.

[100] Docket Nos. ACR2023 and PI2022-1, Tenth Response of the United States Postal Service to Commission Requests for Additional Information in the FY 2023 Annual Compliance Determination, February 10, 2025, at 5 (FY 2025, Quarter 1 Report).

identified 4 new offices suspended before FY 2017 so late in the process—almost 8 years after the Commission began monitoring these suspensions. The Postal Service explains that around August 2024, field operations began regular, District-level calls involving stakeholders addressing suspended offices. Response to CHIR No. 10, question 1. It states it discovered four other suspensions when it prepared the FY 2024 ACR.

To help ensure that all suspensions before FY 2017 are resolved at the end of FY 2026, the Commission will continue to require quarterly reporting until the remaining Post Offices suspended before FY 2017 are resolved.

b. Suspended After FY 2017

The Postal Service filed FY 2024 data on the number of suspended Post Offices in Library Reference USPS-FY24-33 and updated them in CHIR responses. Table VI-6 shows Post Office suspension activity during FY 2024 by facility type. It lists the number of suspensions at the beginning and end of FY 2024, as well as the number of Post Offices suspended, reopened, and closed during FY 2024. The number of suspensions increased by 16 in FY 2024, with 444 suspensions at the end of FY 2024.

Table VI-6
Post Office Suspension Activity During FY 2024

	Post Offices	Stations/Branches	Carrier Annexes	Total
Under Suspension at the Start of FY 2024	335	92	1	**428**
Suspended During FY 2024	106	23	0	**129**
Offices Suspended Prior FYs and Reopened During FY 2024	24	7	0	**31**
Offices Suspended During FY 2024 and Reopened During FY 2024	13	3	0	**16**
Closed During FY 2024	51	15	0	**66**
Under Suspension at the End of FY 2024	353	90	1	**444**

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

Source: Response to CHIR No. 7, question 4, folder "CHIR 7_ACR2024_Attachments_Public," folder "Public Supporting Materials_CHIR 7_FY24," folder "Question 04_CHIR 7_ACR2024," Excel file "ACR2024 ChIR7 Q4 FY24 Post Offices.xlsb."

In the FY 2023 ACD, the Commission expressed concerns about data accuracy and consistency in suspension quarterly reports. FY 2023 ACD at 196. Although the Postal Service corrected the accuracy issues, data are not consistent among fiscal years. For example, in Docket No. ACR2023, the Postal Service reported that 396 Post Offices were suspended at the end of FY 2023, which is inconsistent with the number of suspensions the Postal Service reported at the beginning of FY 2024 (428). *Compare id*. at 195, Figure V-36, *with* Table VI-6, *supra*. The Postal Service explains that suspension data are entered into the CSDC system on a constant, rolling basis. Response to CHIR No. 7, question 4. Certain users can back-date their entries to input an earlier suspension date. *Id*. Thus, the updated spreadsheet the Postal Service filed includes new suspensions entered after the Postal Service filed suspension data in Docket No. ACR2023. *Id.*

The Commission acknowledges that reports retrieved from the CSDC system are a snapshot in time reflecting data entered on the date the report was retrieved. However, the Commission and the public require consistent data to facilitate comparisons across fiscal years and conduct related data analyses. The Commission recommends that the Postal Service promote consistency among reports by requiring staff to input suspensions into the CSDC system shortly after they occur (e.g., within 15 days).

To prevent another backlog of suspensions, the Commission finds it prudent to monitor more recent suspensions to ensure they are resolved in a timely manner. Thus, the Postal Service must file quarterly reports on recent suspensions as directed below.

The Commission directs the Postal Service to continue filing quarterly reports on the status of Post Offices suspended before FY 2017 in both Docket Nos. ACR2024 and PI2022-1. The Postal Service must file reports within 40 days after the end of each quarter in FY 2025 and in FY 2026 for Quarters 1 and 2. Quarterly reports must continue to include a spreadsheet containing the following information for each suspension:

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

Each quarterly report must reflect the most accurate data currently available. The Postal Service must continue to identify and reconcile any discrepancies or differences from prior quarterly reports in the report itself and the accompanying Excel spreadsheet by highlighting information added or changed and striking through information removed. The Postal Service must continue filing these reports until it confirms that all Post Offices suspended before FY 2017 have been reopened or officially discontinued.

Also, the Commission directs the Postal Service to file quarterly reports on Post Offices suspended between FY 2017 and FY 2023 that include the information listed above. These quarterly reports must also:

- *Provide status updates on the Postal Service's progress in revising Handbook PO-101 and implementing the public suspensions dashboard (CSDC system)*
- *Identify any changes to the personnel working toward resolving suspensions (including the relevant chain of command, the responsible management-level personnel, and current staffing levels)*
- *Identify and reconcile any discrepancies or differences from prior quarterly reports (such discrepancies or differences must be identified in the body of the report itself and in the accompanying Excel spreadsheet)*

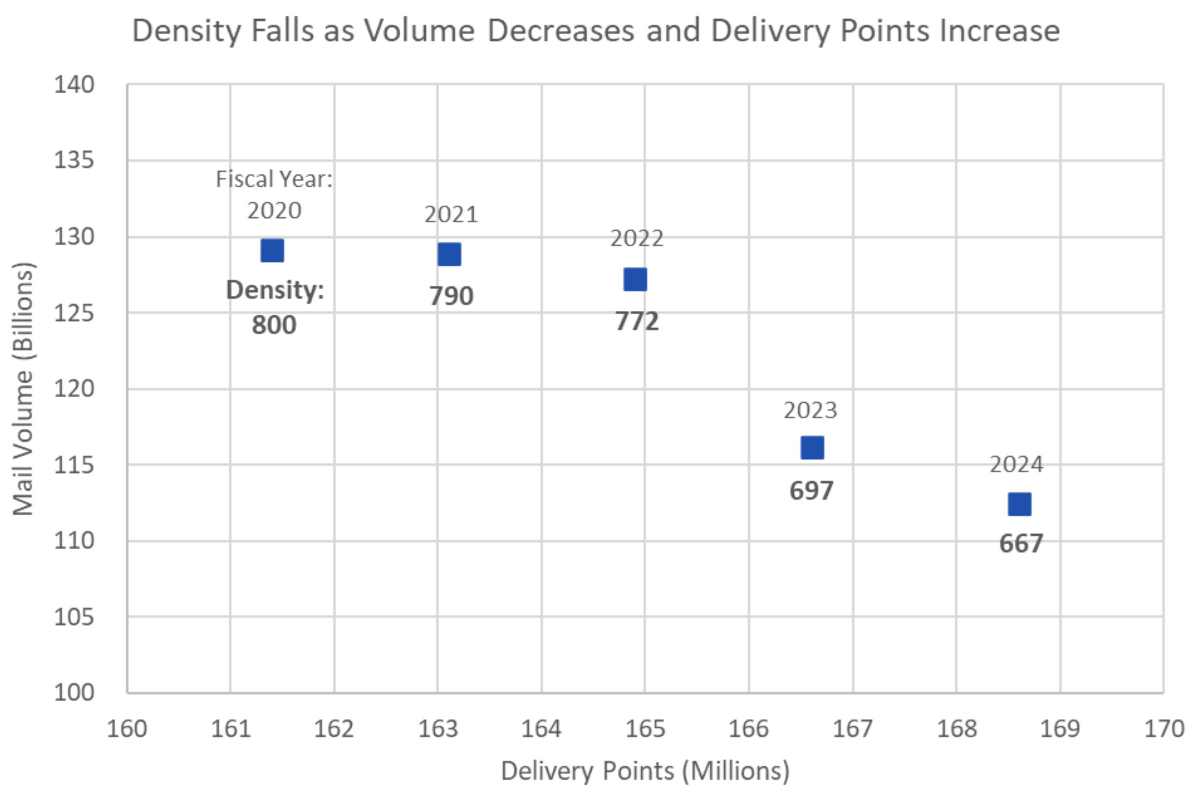
In the FY 2025 ACR, the Postal Service must:

- *If applicable, explain why the Postal Service has not yet reopened or officially discontinued the remaining suspensions from the end of FY 2016, as well as how it plans to resolve them in FY 2026*
- *Devise a strategy or approach for resolving Post Offices suspended after FY 2017 in a timely manner with specific timebound steps for addressing offices by subset (e.g., focus on Post Offices suspended for 5 or more years, or suspended due to a particular reason, or at a particular step in the process)*
- *For each Post Office that is suspended at the end FY 2025, the FY 2025 ACR or Library Reference USPS-FY25-33 must contain a spreadsheet that includes the same information required for the quarterly reports*

5. Delivery Points

The ACR must include the number of residential and business delivery points at the beginning and end of the fiscal year. 39 C.F.R. § 3055.91(b). The Postal Service filed this information for FY 2024 in Library Reference USPS-FY24-33 and in the FY 2024 Annual Report.[101] The total number of delivery points in FY 2024 was 168,578,718, an increase of 2,001,122 from FY 2023. FY 2024 Annual Report at 32. Figure VI-13 shows the volume per delivery point between FY 2020 and FY 2024.

Figure VI-13
Annual Volume per Delivery Point
FY 2020–FY 2024



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

Source: FY 2023 ACD at 200; Commission calculation is based on FY 2024 Annual Report at 32.

The Commission has been tracking delivery point data since the PAEA was enacted, when volume per delivery point was at its highest level of 1,458 mailpieces per delivery point in FY 2006. Volume per delivery point was 667 in FY 2024, an approximate 54 percent decrease since FY 2006.

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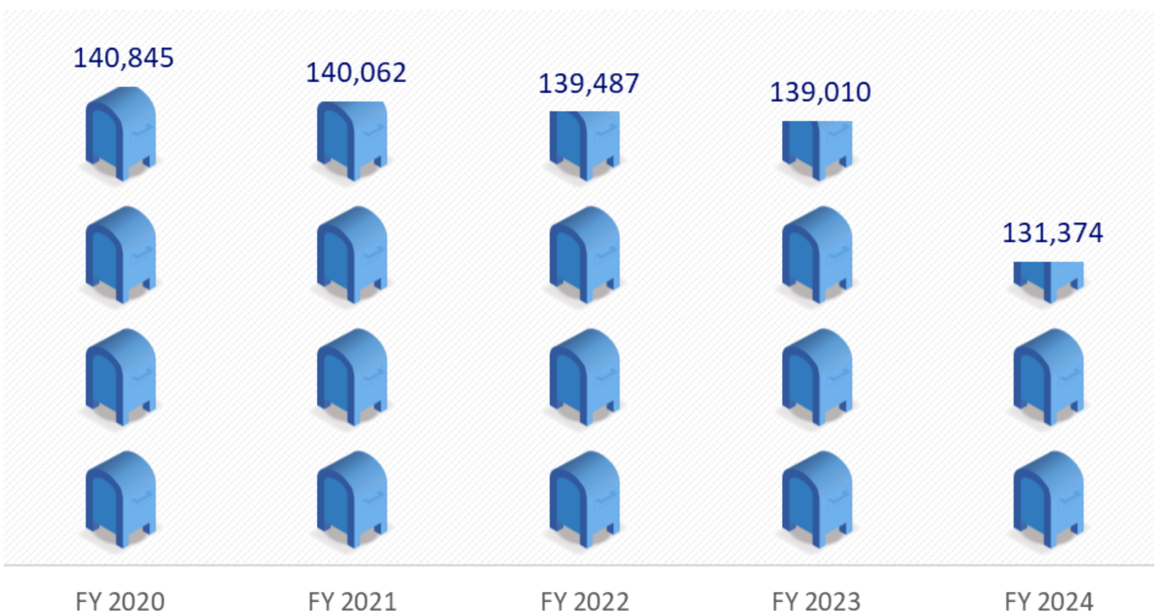
[101] Library Reference USPS-FY24-33, Excel file "DeliveryPointsFY2024.xlsx;" FY 2024 Annual Report at 32.

6. Collection Boxes

A collection box (commonly called Blue Box) is a container dedicated to collecting mail deposited by customers. The ACR must report, at the national and area levels, the number of collection boxes at the beginning and end of the fiscal year, as well as the number of collection boxes added and removed during the fiscal year. 39 C.F.R. § 3055.91(c). The Postal Service filed this information in Library Reference USPS-FY24-33.[102]

Nationally, there were 131,374 collection boxes at the end of FY 2024, 7,636 fewer than in FY 2023. Figure VI-14 shows historical data on the number of collection boxes between FY 2020 and FY 2024.

Figure VI-14
Number of Collection Boxes
FY 2020–FY 2024



Source: Library Reference USPS-FY24-33, Excel file "CollectionBoxesFY2024.xlsx;" FY 2023 ACD at 202.

The Postal Service explains that the reduction in collection boxes was driven by multiple factors, such as removing duplicate boxes and Priority Mail Express boxes and a more rigorous response to address vandalized boxes. Response to CHIR No. 7, question 3.b. The Postal Service confirmed that it will continue to follow Postal Operations Manual procedures for removing collection boxes. January 30 Response to CHIR No. 4, questions 9-10.

[102] Library Reference USPS-FY24-33, Excel file "CollectionBoxesFY2024.xlsx."

The Commission will continue to monitor the number of collection boxes in Docket No. ACR2025. The FY 2025 ACR must continue to comply with 39 C.F.R. § 3055.91(c) by reporting, at the national and area levels, the number of collection boxes at the beginning and end of FY 2025, as well as the number of collection boxes added to new locations and removed during FY 2025. If there are any discrepancies between the number of collection boxes at the beginning and end of FY 2025 and the number of collection boxes added and removed during FY 2025, the Postal Service must reconcile these discrepancies in the FY 2025 ACR.

7. Wait Time in Line

The Postal Service reported FY 2024 customer wait time in line at retail facilities in Library Reference USPS-FY24-33. The national average wait time in line increased from 2 minutes 22 seconds in FY 2023 to 2 minutes 35 seconds in FY 2024. FY 2024 ACR at 85. Table VI-7 shows the national average customer wait time in line annually and by quarter for FY 2020 through FY 2024.

Table VI-7
National Average Wait Time in Line (in Minutes)
Annually and by Quarter
FY 2020–FY 2024

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Quarter 1	1:57	3:14	2:30	2:31	2:21
Quarter 2	2:06	3:15	2:33	2:32	2:51
Quarter 3	2:59	2:38	2:17	2:12	2:42
Quarter 4	3:05	2:05	1:59	2:12	2:39
Annual	2:26	2:48	2:20	2:22	2:35

Source: Library Reference USPS-FY24-33, Excel file "WaitTimeInLineFY2024.xlsx," tab "Qrt Avg Wait Time National FY24;" FY 2024 ACD at 204.

Table VI-7 shows that in FY 2024 the national average wait time in line increased in Quarter 1 but improved during the rest of the fiscal year. The Postal Service explains that in FY 2024, it began requiring customers to review and respond to a civil penalty statement certifying that they are not mailing hazardous materials, which may have contributed to increased wait time in line in FY 2024. January 30 Response to CHIR No. 4, question 4.a.-4.b.

The Public Representative comments that most customers likely will not notice the increased wait time in line and that the more important factor is whether customers receive satisfactory service. PR Comments at 40. He observes that "excellent service may compensate for a slightly longer wait time in line for many customers." *Id*. He encourages the Postal Service to take steps to reduce wait time in line while achieving high levels of customer satisfaction with the retail experience. *Id*.

The Commission observes that the Point of Sale survey, which measures customer experience at Postal Service locations with retail equipment, asks customers to evaluate wait time in line.[103] In FY 2024, almost 90 percent of customers Strongly Agreed or Agreed that their wait time in line was acceptable.[104] Thus, it appears that wait time in line during FY 2024 was reasonable.

The Public Representative also encourages the Postal Service to promote self-service kiosks (SSKs) because "increased utilization of self-service channels would likely have a positive effect on both retail revenue and wait time in line." PR Comments at 40. In FY 2024, the Postal Service deployed 22 SSKs and 104 Rapid Drop-off Stations, which facilitate prepaid mail acceptance transactions. FY 2024 ACR at 86. To promote SSK usage, the Postal Service stated it featured videos on SSKs in many retail lobbies and posted signage during peak and off-peak seasons. Response to CHIR No. 8, question 16.a. In FY 2025, the Postal Service plans to deploy 28 more SSKs and 14 Rapid Drop-off Stations. January 30 Response to CHIR No. 4, question 5.

In a CHIR response, the Postal Service filed a spreadsheet showing FY 2024 SSK utilization rates, which ranged from 0.3 percent to 66.8 percent.[105] The data showed that many SSKs are being underutilized. Besides deploying SSKs, the Postal Service should promote their usage by informing customers where SSKs are located, how to use them, and what services they can provide to the customer to improve that customer's experience.

The Commission will continue to monitor wait time in line in Docket No. ACR2025. In the FY 2025 ACR, the Postal Service must:

- *Describe actions taken and measures implemented during FY 2025 to improve wait time in line*
- *Explain how these actions and measures impacted wait time in line in FY 2025*

The Commission encourages the Postal Service to increase and promote customer use of SSKs in FY 2025. If wait time in line increases during FY 2025, the FY 2025 ACR must:

- *Explain why wait time in line increased, identifying root causes and factors contributing to the increase*
- *Describe plans for improving wait time in line during FY 2026*
- *Explain how these plans will specifically address the root causes of increased wait time in line*

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[103] January 30 Response to CHIR No. 4, question 7.b., folder "CHIR 4_ACR2024_First Response Set_Public Attachments," folder "Public Supporting Materials_CHIR 4_FY24," folder "Question 07_CHIR 4_ACR2024," file "CXMA_Annual Compliance Review_Surveys_FY24 (REV.1.30.25).pdf," at 8 (FY 2024 CX Surveys).

[104] Response to CHIR No. 1, question 21, folder "CHIR 1_ACR2024_Attachments," folder "Public Supporting Materials_CHIR 1_FY24," folder "Question 15-16 and 21_CHIR 1_FY2024 ACR," Excel file "CX_Question_Response_Counts_FY24 (REV 1.17.25).xlsx," tab "POS," cells B71:B72 (FY 2024 CX Response Counts).

[105] Response to CHIR No. 7, question 5.d., folder "CHIR 7_ACR2024_Attachments_Public," folder "Public Supporting Materials_CHIR 7_FY24," folder "Question 05_CHIR 7_ACR2024," Excel file "ChIR7 Q5 SSK Utilization Rates.xlsx."

8. Alternative Access to Postal Services

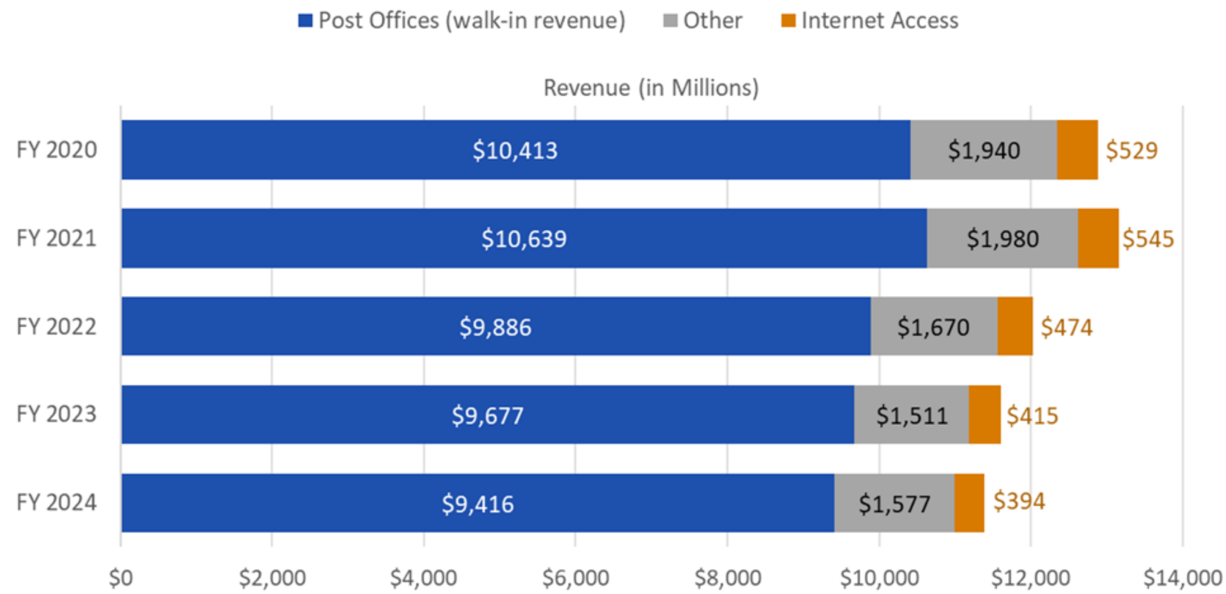
Customers may obtain postal products and services outside of traditional brick and mortar Post Offices through alternative access channels, which include:

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

Figure VI-15 compares retail revenue by channel from FY 2020 through FY 2024 in three categories:

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

Figure VI-15
Retail Revenue by Channel
FY 2020–FY 2024



Source: Response to CHIR No. 7, question 1; FY 2023 ACD at 209.

In FY 2024, revenue for SSKs, retail facilities, and Click-N-Ship decreased. *See* Response to CHIR No. 7, question 1. The Postal Service attributes this decline to fewer revenue-generating customer visits and a decrease in retail revenue generally. Response to CHIR No. 8, questions 15, 17. Although retail revenue from the Post Offices and Internet Access categories decreased by 2.70 percent and 5.12 percent, respectively, the Other category saw a revenue increase of 4.42 percent.

The Commission finds that customers appear to have had sufficient access to postal services in FY 2024 because the Postal Service continued to make postal services available at retail facilities and alternative access channels. The Commission will continue to monitor alternative access channels in FY 2025 to ensure that customers have regular and effective access to postal services in all communities.

In the FY 2025 ACR, for each alternative access channel that experiences a decline in revenue, the Postal Service must identify the root causes for these declines and describe plans to address them in FY 2026.

C. Customer Satisfaction with Market Dominant Products

1. Executive Summary

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

- In FY 2024, customer satisfaction decreased for all but three Market Dominant products
- To meaningfully improve customer satisfaction for residential and small/medium business customers, the Postal Service must create effective improvement plans specifically targeting these customers

2. Background

In this section, the Commission evaluates “the degree of customer satisfaction with the service provided” for Market Dominant products as required by 39 U.S.C. § 3652(a)(2)(B)(ii). “Customer satisfaction” in this section refers specifically to customer satisfaction with Market Dominant products. Other topics related to Customer Experience (CX)—including the surveys, FY 2024 targets and results, and CX metrics—will be analyzed in detail in the Commission’s forthcoming *Analysis of the FY 2024 Annual Performance Report and FY 2025 Annual Performance Plan.*

To measure customer satisfaction with Market Dominant products, the Postal Service uses data from CX surveys for three types of customers: residential, small/medium business, and large business. Among other questions, the surveys ask customers to evaluate their experience using several domestic and international mailing services, such as First-Class Mail International and Media Mail. They group classes and products into mailing services. *See* FY 2024 CX Surveys at 26, 50. Customers were asked to rate their satisfaction level with each mailing service using a five-point scale ranging from Very Satisfied to Very Dissatisfied. *See id*. at 50.

For each customer type, Table VI-8 compares customer satisfaction results for select Market Dominant mailing services between FY 2022 and FY 2024. Results are expressed as the percentage of customers who selected Very Satisfied or Mostly Satisfied. FY 2024 ACR at 54-55.

Table VI-8
Customer Satisfaction with Market Dominant Mailing Services, by Percentage
FY 2022–FY 2024

Market Dominant Products (Mailing Services)	Residential Customers			Small/Medium Business			Large Business Customers		
	FY 2022	FY 2023	FY 2024	FY 2022	FY 2023	FY 2024	FY 2022	FY 2023	FY 2024
First-Class Mail	77.07%	76.42%	80.90%	77.92%	78.90%	75.09%	85.06%	85.91%	86.28%
Single-Piece International	77.79%	79.89%	77.31%	75.30%	79.18%	72.51%	87.89%	88.75%	87.92%
USPS Marketing Mail	N/A[A]	N/A[A]	N/A[A]	73.56%	73.36%	60.13%	83.43%	84.12%	83.20%
Periodicals	N/A[A]	N/A[A]	N/A[A]	81.84%	82.33%	69.87%	82.84%	83.14%	82.84%
Media Mail	80.37%	83.06%	70.91%	80.69%	81.90%	69.17%	83.48%	82.04%	80.12%
Library Mail	76.03%	79.16%	56.74%	76.78%	76.33%	60.01%	83.70%	83.42%	82.33%

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

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

Source: FY 2024 ACR at 74-75.

Table VI-8 shows that customer satisfaction decreased for all but three products between FY 2023 and FY 2024. For residential and small/medium business customers, satisfaction declined across the board for every product except for residential First-Class Mail, and Media Mail and Library Mail showed double-digit percentage drops ranging from -12.15 to -22.42 percentage points. Also, small/medium business customer satisfaction decreased significantly for Periodicals (-12.96) and USPS Marketing Mail (-13.23).

In the FY 2024 ACR, the Postal Service acknowledges these declines and describes efforts to improve Market Dominant product satisfaction, including education and engagement, Informed Delivery, USPS Connect Local Mail service, mail growth incentives, and promotions. FY 2024 ACR at 79-81. The Public Representative comments that the ACR lacks specific details about the main drivers of satisfaction declines and how the Postal Service plans to address them. PR Comments at 45. He states that the major root causes of dissatisfaction and planned steps to address them are unclear. *Id*. at 45-46. He encourages the Commission to obtain more information about underlying drivers of customer satisfaction decreases to make more meaningful recommendations to the Postal Service. *Id*. at 46.

In a CHIR response, the Postal Service explains the root causes and plans for addressing residential and small/medium business customer satisfaction declines. For residential customers, it observes that the market for items that customers can ship via Media Mail and Library Mail has reduced over time because they have been converted to digital products. January 30 Response to CHIR No. 4, question 6.a.i. It notes that small/medium business customers typically do not use Media Mail and Library Mail. *Id*. question 6.b.i. Regarding plans for improvement, the Postal Service states it does not have initiatives specifically targeted at residential and small/medium business customers but is evaluating Market Dominant product portfolio needs to improve satisfaction for all customers. *Id*. question 6.a.ii., 6.b.ii.

For small/medium business customers, the Postal Service explains that the Periodicals pricing model has historically been confusing to mailers, and rates for both Periodicals and USPS Marketing Mail have increased. *Id*. question 6.b.i. To improve Periodicals customer satisfaction, the Postal Service states it is considering streamlining the pricing model, mailing requirements, and mail preparation in FY 2026 to more closely align with that of USPS Marketing Mail. *Id*. question 6.b.ii. It notes it will continue offering mail growth incentives to USPS Marketing Mail customers to support businesses that are growing volume through postage credits. *Id*.

3. Commission Analysis

Residential and small/medium business customer satisfaction for Media Mail and Library Mail declined significantly from FY 2023 to FY 2024. However, the surveys indicate that more than two-thirds of residential and small/medium business customers surveyed do not use these products, and the survey sample size is small compared to the total number of residential and small/medium business customers. *See* FY 2024 CX Response Counts, tabs "Delivery SMB" and "Delivery Residential." The Commission recommends that the Postal Service consider administering the Delivery survey to more residential and small/medium business customers who use Media Mail and Library Mail to obtain a more statistically accurate estimate of customer satisfaction with these products. The Commission will continue to monitor this trend.

The Postal Service's plans for improving Periodicals and USPS Marketing Mail product satisfaction appear reasonable. However, the Commission is concerned that the Postal Service lacks initiatives specifically targeted at improving Market Dominant product satisfaction for residential and small/medium business customers considering they showed across-the-board declines for almost every product. To meaningfully improve their satisfaction, the Postal Service must create effective improvement plans specifically targeting these customers.

In FY 2025, the Postal Service must continue to take appropriate actions to improve Market Dominant product satisfaction for all customer types. In the FY 2025 ACR, the Postal Service must:

- *Identify key drivers of Market Dominant product satisfaction for residential, small/medium business, and large business customers*
- *Describe specific actions taken in FY 2025 to improve Market Dominant product satisfaction specifically for residential and small/medium business customers*
- *Identify the root causes of lower customer satisfaction for any product with a result that declines between FY 2024 and FY 2025*
- *Describe specific plans for improving Market Dominant product satisfaction in FY 2026 that target products and customer types with lower satisfaction results in FY 2025*

Appendix A: Key Commission Findings and Directives Requiring Postal Service Action for Future *Annual Compliance Reports*

Market Dominant Products: Pricing Requirements, Workshare Discounts:

- *The Commission finds that all workshare discounts in effect in FY 2024 were in compliance with 39 C.F.R. part 3030, subpart J at the time they were approved in the rate adjustment proceedings based on the most recent avoided costs available at the time of each rate adjustment filing.*
- *The Commission directs the Postal Service to bring all current workshare discounts approved in Docket No. R2024-2 and identified in Table II-1 that are not equal to their avoided costs based on the new FY 2024 avoided costs into compliance with 39 C.F.R. § 3030.283 and 39 C.F.R. § 3030.284 in the next rate adjustment proceeding, which could include aligning workshare discounts with avoided costs or explaining how the workshare discounts comply with existing exceptions (including waivers granted in accordance with the rules set forth in 39 C.F.R. § 3030.286). In addition, all workshare discounts proposed in rate adjustment proceedings must be consistent with 39 C.F.R. § 3030.282.*

Market Dominant, Non-Compensatory Classes:

- Periodicals:
    - *The Commission is encouraged to see cost reductions for Periodicals but reiterates its longstanding findings that despite numerous cost-reduction initiatives designed to reduce flat-shaped mail costs, including Periodicals costs, these costs still remain high. Furthermore, the Commission encourages the Postal Service to continue to maximize its usage of rate authority granted under 39 C.F.R. § 3030.222 and to maximize its cost coverage by strategically pricing Periodicals.*

Market Dominant, Non-Compensatory Products in Compensatory Classes:

- USPS Marketing Mail:
    - *The Commission finds that the cost coverage for USPS Marketing Mail Flats remained deficient in FY 2024 and reminds the Postal Service that under 39 C.F.R. § 3030.221, it must propose a rate increase for USPS Marketing Mail Flats that is at least 2 percentage points above the average increase for the class in any rate adjustment filing affecting USPS Marketing Mail. In addition, the Commission urges the Postal Service to continue to pursue cost reductions of flat-shaped products, including USPS Marketing Mail Flats.*
- Package Services:
    - *The Commission finds that the FY 2024 revenue for Alaska Bypass was not sufficient to cover its attributable costs. Although the Postal Service explains that accrued costs for Alaska Bypass Service are not largely under the Postal Service's control, the Commission encourages the Postal Service to evaluate costs in an effort to improve Alaska Bypass cost coverage. The Commission reminds the Postal Service that under 39 C.F.R. § 3030.221, the Postal Service must increase the prices of Alaska Bypass by at least 2 percentage points above the class average in each Market Dominant rate adjustment affecting Package Service through the issuance of the FY 2025 ACD.*

Market Dominant, Fully Compensatory Classes:

- First-Class Mail:
    - *The Commission encourages the Postal Service to consider the concerns expressed by commenters and the Public Representative regarding whether rate increases have potential effects on volume and the potential effects of volume declines on its costs and efficiency measures. The Commission further encourages the Postal Service to work with industry participants to reduce costs.*
- Special Services:
    - *The Commission finds that all Special Services products covered their attributable costs in FY 2024. The Commission encourages the Postal Service to continue to seek ways to improve the cost coverage of the Special Services class.*

Competitive Products, Cross-Subsidization:

- *The Commission finds Competitive products satisfied 39 U.S.C. § 3633(a)(1) in FY 2024.*

Competitive Products, Cost Coverage, Domestic:

- Competitive Domestic Products with Rates of General Applicability:
  - *The Commission finds that, in FY 2024, every Competitive domestic product with rates of general applicability covered its attributable cost*[1] *and, thereby, satisfied the statutory requirements of 39 U.S.C. § 3633(a)(2).*

- Competitive Domestic Products Consisting of NSAs:
  - *The Commission commends the Postal Service for timely filing quarterly NSA reports in FY 2024, which assisted the Commission in completing an efficient review during the ACD. However, the Commission is concerned about the growing number of NSAs that fail to cover costs or have a component that fails to cover costs and concurs with the Public Representative that the Postal Service should subject NSAs to more vigilant monitoring.*
  - *The Commission finds that Priority Mail Contract 747; Priority Mail Contract 774; Priority Mail & Parcel Select Contract 4; Priority Mail & Parcel Select Contract 9; Priority Mail & USPS Ground Advantage Contract 148; Priority Mail & USPS Ground Advantage Contract 312; Priority Mail Express & USPS Ground Advantage Contract 1; and Priority Mail Express, Priority Mail & USPS Ground Advantage Contract 36 were not in compliance with 39 U.S.C. § 3633(a)(2) in FY 2024. No further action is required for the six non-compliant contracts that have either been terminated or reverted to published prices. The Commission directs the Postal Service to monitor Priority Mail & USPS Ground Advantage Contract 148 and Priority Mail Express & USPS Ground Advantage Contract 1, and to negotiate higher prices or terminate the contracts if necessary to prevent future noncompliance. Additionally, the Commission directs the Postal Service to report contract-specific volumes, revenue, costs, and cost coverage for Priority Mail Express & USPS Ground Advantage Contract 1 on a quarterly basis for the duration of the contract. Each report shall be filed in the related dockets within 60 days of the completion of each quarter of the fiscal year. The Commission directs the Postal Service to continue its reporting for Priority Mail & USPS Ground Advantage Contract 148.*

[1] *See* Library Reference USPS-FY24-1.

- Other Issues for Competitive Domestic Products:

  - *The Commission directs the Postal Service to continue to report quarterly information on the Gift Card pilot. The report shall be filed in Docket No. MC2022-60 and include information on volume, revenue, and costs (which should include development costs, as well as the costs of conducting training, labor costs associated with the retail transactions, and supply costs). In addition, the report must include any plans for modifications or other future plans of the pilot, including any plans for its termination.*

Competitive Products, Cost Coverage, International:

- Competitive International Products with Rates of General Applicability:

  - *The Commission finds that International Direct Sacks—Airmail M-Bags was not in compliance with 39 U.S.C. § 3633(a)(2) in FY 2024. The Commission directs the Postal Service to request a price increase for Outbound International Direct Sacks—Airmail M-bags that more adequately reflects the cost of this component of the International Direct Sacks—Airmail M-Bags product in its next request to adjust prices of general applicability for Competitive products. The Commission also encourages the Postal Service to assess the elasticity of demand for the product against other impeding factors that may potentially make the product cost prohibitive.*

- Competitive International Products Consisting of NSAs:

  - *The Commission concludes that Competitive outbound international products consisting of NSAs satisfied 39 U.S.C. § 3633(a)(2), except for two Competitive outbound international NSAs that did not cover their attributable costs.[2] Both of these NSAs have now expired, and no additional contract is expected to be included under GEPS—NPR 15 in the future. The Commission continues to strongly encourage the Postal Service to enforce the minimum volume and/or revenue requirement in each NSA and to seriously consider the viability of certain outbound NSAs whose projected volume and cost coverage call into question whether their financial performance will be compensatory given the current volatility in cost and losses in economies of density.*

[2] The Commission notes that both NSAs were serial-numbered agreements within the GEPS—NPR 15 product. Although these two NSAs did not cover their attributable costs, the GEPS—NPR 15 product as whole covered its attributable cost.

- *The Commission concludes that Competitive inbound international products consisting of NSAs satisfied 39 U.S.C. § 3633(a)(2), except for Inbound EMS that did not cover its attributable cost. The Commission finds that the Inbound EMS product was not in compliance with 39 U.S.C. § 3633(a)(2) in FY 2024.*
- *The Commission acknowledges that the Postal Service increased the price of Inbound EMS effective January 1, 2025. Regardless of whether the Postal Service decides to increase its annual rates for Inbound EMS in the future or not, the Commission directs the Postal Service to file, for Commission approval each year, Inbound EMS rates for the following CY and related financial workpapers. These financial workpapers should demonstrate estimated cost coverage and incorporate the most recently available cost projections. They should be filed with the Commission for approval on or before August 16 each year in the event that new rates need to be communicated to the UPU by August 31.*
- *Furthermore, the Commission directs the Postal Service to continue identifying and fixing issues that impede the Postal Service from being able to collect full remuneration for Inbound EMS in accordance with the UPU EMS Pay-for-Performance Plan, to file a report within 180 days of the issuance of this ACD on progress it is making to fix these issues, and to provide all available EMS report card results for FY 2025. The Commission also directs the Postal Service to file the applicable UPU EMS Pay-for-Performance Plans with its future annual filings in the ACR docket.*

Competitive Products, Appropriate Share:

- *The Commission finds that in FY 2024 Competitive products satisfied 39 U.S.C. § 3633(a)(3) by covering an appropriate share of the Postal Service's institutional costs.*

Nonpostal Services and Interagency Agreements:

- Market Dominant and Competitive Legacy Nonpostal Products:

  - *The Commission finds that the Postal Service complied with the applicable requirements of 39 U.S.C. chapter 37 during FY 2024 with respect to Market Dominant and Competitive legacy nonpostal products. In addition, Competitive legacy nonpostal products satisfied the cost coverage requirement of 39 U.S.C. § 3633(a)(2) because revenues exceeded attributable cost for each Competitive legacy nonpostal product.*

- Interagency Agreements:
  - *The Commission finds that the Postal Service complied with the applicable requirements of 39 U.S.C. chapter 37 during FY 2024 with respect to Interagency Agreements.*
  - *The Commission directs the Postal Service, in future reporting years, to be more diligent in ensuring that the "IAA Summary List" and "Financial Workbook" workbooks are up-to-date, accurate, and consistent with each other and with other applicable workbooks and with approved methodologies prior to submitting its Annual Compliance Report.*

Service Performance:

- Market Dominant Service Performance in FY 2024:
  - *The Commission directs the Postal Service to improve service performance results to achieve the applicable on-time service performance target level for these non-compliant products in FY 2025. The Commission has specifically developed directives designed to increase transparency regarding service performance for non-compliant products. These directives are set out in Section V.A.3., supra.*
  - *The Commission recommends that the Postal Service provide greater clarity regarding the purpose and basis behind changed targets to help the Commission evaluate the reasonableness of such targets and promote public transparency.*
  - *Given the Postal Service has acknowledged that it has chosen to prioritize its operational structure and financial condition over short-term service performance in FY 2024, the Commission reiterates its expectation that the Postal Service will renew its focus on improving service performance in FY 2025.*

- First Class Mail:
  - *Given the Postal Service's admitted focus on products other than First-Class Mail Single-Piece Letters/Postcards and that DFA Plan implementation is a contributing factor to the product's failure to achieve its targets in FY 2024, the Commission directs the Postal Service to develop and implement mitigation strategies to address the service performance delays resulting from DFA Plan implementation and report to the Commission about these strategies in the FY 2025 ACR.*

- Commission Findings and FY 2025 Directives:

  - *The Commission directs the Postal Service to improve service performance results to achieve the applicable on-time percent target level for [] non-compliant products in FY 2025.*
  - *The Commission directs the Postal Service to assess the effectiveness of its nationwide transit and Last Mile improvement initiatives. The evaluation should include a review of progress in ensuring timely departures, tendering to transit suppliers, minimizing en-route delays, and enhancing Last Mile education and accountability. The Postal Service is required to describe planned initiatives, identify problems to be addressed, outline the timeframe for implementation, and specify key performance indicators (KPIs) for each initiative. Additionally, the evaluation should include quantitative comparisons with previous fiscal years (e.g., compare FY 2025 Quarter 1 to FY 2024 Quarter 1).*
  - *Second, the Commission directs the Postal Service to provide information for each of the geographic Postal Service Divisions detailing progress in addressing root causes of delivery failures and the initiatives implemented to improve the performance of non-compliant First-Class Mail, USPS Marketing Mail, Periodicals, and Package Services products/categories. For each Division, the Postal Service shall provide a detailed plan to improve on-time service performance results for each class of mail that describes each planned initiative, the problem that the planned initiative is expected to remediate, the estimated timeframe for implementation and completion of each planned initiative, and the KPI(s) used to measure and evaluate progress toward completion. These reports should include quantitative data comparisons to previous fiscal years, (e.g., Q1 FY 2025 vs. Q1 FY 2024), with qualitative support where possible. The reports are due within 90 days of the issuance of this ACD and must be updated at the time of the FY 2025 Annual Compliance Report (ACR).*
  - *Third, the Commission also directs the Postal Service to provide Critically Late Trip (CLT) data for FY 2025, broken down by the nation, each area, and district, on a quarterly and annualized basis. These data should be submitted within 90 days of the issuance of this ACD (by June 26, 2025) for FY 2025 Quarter 1, Quarter 2, and "mid-year." Data shall be provided for FY 2024 Quarter 3 and Quarter 4, and annualized for the fiscal year in the FY 2025 ACR (by December 30, 2025).*
  - *Fourth, to monitor the Postal Service's initiatives to improve on-time service performance results for Inbound Letter Post and Outbound Single-Piece First-Class Mail International, the Commission directs the Postal Service to evaluate the efficacy of these initiatives at each ISC and the Honolulu facility. Reports should detail the progress made in implementing these initiatives, the plans for further improvements, data illustrating volume processed, and comparisons to the previous year (e.g., compare FY 2025 Quarter 1 to FY 2024 Quarter 1). These reports should include quantitative analysis, KPIs, and qualitative support where*

possible. The report for each facility shall be filed within 90 days of the issuance of this ACD. An updated report from each facility shall be filed at the time of the FY 2025 ACR.

- *Fifth, the Commission directs the Postal Service to provide the following information in the FY 2025 ACR for Post Office Box Service and Ancillary Services: (1) an evaluation of the efficacy of the Postal Service's FY 2025 initiatives (including the status of initiatives identified in previous dockets) to improve service performance for each product; and (2) a detailed plan explaining how each product's results will be improved.*
- *Lastly, each report shall identify a responsible Postal Service representative, with knowledge of the matters discussed, who will be available to provide prompt responses to requests for clarification from the Commission.*

Customer Access to Postal Services:

- Brick and Mortar Locations:
  - *The Commission finds that the Postal Service complied with the directive to file accurate and consistent data on retail facilities and reconcile any discrepancies. The Postal Service must continue reporting the number of contractor-operated retail facilities using the Contract Postal Unit Technology system. The FY 2025 Annual Report, FY 2025 ACR, and Library Reference USPS-FY25-33 must report the same number of retail facilities as the FY 2024 Annual Report at 32. If there are any discrepancies, the Postal Service must identify and reconcile them in the FY 2025 ACR.*
- Suspended Post Offices:
  - *The Commission directs the Postal Service to continue filing quarterly reports on the status of Post Offices suspended before FY 2017 in both Docket Nos. ACR2024 and PI2022-1. The Postal Service must file reports within 40 days after the end of each quarter in FY 2025 and in FY 2026 for Quarters 1 and 2. Quarterly reports must continue to include a spreadsheet containing the following information for each suspension:*

    a. *Post Office Name*
    b. *Street Address*
    c. *City, State, and ZIP Code*
    d. *Suspension Date*

e. *Suspension Reason*
f. *Postal Area*
g. *Postal District*
h. *Facility ID*
i. *Finance Number*
j. *Facility Type*
k. *Steps Completed in the Post Office Discontinuance Process*
l. *Next Steps in the Post Office Discontinuance Process*

- *Each quarterly report must reflect the most accurate data currently available. The Postal Service must continue to identify and reconcile any discrepancies or differences from prior quarterly reports in the report itself and the accompanying Excel spreadsheet by highlighting information added or changed and striking through information removed. The Postal Service must continue filing these reports until it confirms that all Post Offices suspended before FY 2017 have been reopened or officially discontinued.*

Also, the Commission directs the Postal Service to file quarterly reports on Post Offices suspended between FY 2017 and FY 2023 that include the information listed above. These quarterly reports must also:

- *Provide status updates on the Postal Service's progress in revising Handbook PO-101 and implementing the public suspensions dashboard (CSDC system)*
- *Identify any changes to the personnel working toward resolving suspensions (including the relevant chain of command, the responsible management-level personnel, and current staffing levels)*
- *Identify and reconcile any discrepancies or differences from prior quarterly reports (such discrepancies or differences must be identified in the body of the report itself and in the accompanying Excel spreadsheet)*

In the FY 2025 ACR, the Postal Service must:

- *If applicable, explain why the Postal Service has not yet reopened or officially discontinued the remaining suspensions from the end of FY 2016, as well as how it plans to resolve them in FY 2026*
- *Devise a strategy or approach for resolving Post Offices suspended after FY 2017 in a timely manner with specific timebound steps for addressing offices by subset (e.g.,*

focus on Post Offices suspended for 5 or more years, or suspended due to a particular reason, or at a particular step in the process)

- *For each Post Office that is suspended at the end FY 2025, the FY 2025 ACR or Library Reference USPS-FY25-33 must contain a spreadsheet that includes the same information required for the quarterly reports*

- Collection Boxes:

  - *The Commission will continue to monitor the number of collection boxes in Docket No. ACR2025. The FY 2025 ACR must continue to comply with 39 C.F.R. § 3055.91(c) by reporting, at the national and area levels, the number of collection boxes at the beginning and end of FY 2025, as well as the number of collection boxes added to new locations and removed during FY 2025. If there are any discrepancies between the number of collection boxes at the beginning and end of FY 2025 and the number of collection boxes added and removed during FY 2025, the Postal Service must reconcile these discrepancies in the FY 2025 ACR.*

- Wait Time in Line:
  - *The Commission will continue to monitor wait time in line in Docket No. ACR2025. In the FY 2025 ACR, the Postal Service must:*

    — *Describe actions taken and measures implemented during FY 2025 to improve wait time in line*

    — *Explain how these actions and measures impacted wait time in line in FY 2025*

  - *The Commission encourages the Postal Service to increase and promote customer use of SSKs in FY 2025. If wait time in line increases during FY 2025, the FY 2025 ACR must:*

    — *Explain why wait time in line increased, identifying root causes and factors contributing to the increase*

    — *Describe plans for improving wait time in line during FY 2026*

    — *Explain how these plans will specifically address the root causes of increased wait time in line*

- Alternative Access to Postal Services:

- *The Commission finds that customers appear to have had sufficient access to postal services in FY 2024 because the Postal Service continued to make postal services available at retail facilities and alternative access channels. The Commission will continue to monitor alternative access channels in FY 2025 to ensure that customers have regular and effective access to postal services in all communities.*
- *In the FY 2025 ACR, for each alternative access channel that experiences a decline in revenue, the Postal Service must identify the root causes for these declines and describe plans to address them in FY 2026.*

Customer Satisfaction with Market Dominant Products:

- *In FY 2025, the Postal Service must continue to take appropriate actions to improve Market Dominant product satisfaction for all customer types. In the FY 2025 ACR, the Postal Service must:*

  - *Identify key drivers of Market Dominant product satisfaction for residential, small/medium business, and large business customers*
  - *Describe specific actions taken in FY 2025 to improve Market Dominant product satisfaction specifically for residential and small/medium business customers*
  - *Identify the root causes of lower customer satisfaction for any product with a result that declines between FY 2024 and FY 2025*
  - *Describe specific plans for improving Market Dominant product satisfaction in FY 2026 that target products and customer types with lower satisfaction results in FY 2025*

Appendix B: Initial and Reply Comments

Commenter	Full Form Citation	Short Form Citation
Association for Postal Commerce (PostCom)	Comments of the Association for Postal Commerce, January 28, 2025.	PostCom Comments
Association for Postal Commerce (PostCom)	Notice of Errata to Comments of the Association for Postal Commerce, January 29, 2025.	January 29 PostCom Comments
Greeting Card Association (GCA)	Initial Comments of the Greeting Card Association, January 28, 2025.	GCA Comments
National Association of Presort Mailers (NAPM)	Comments of the National Association of Presort Mailers, January 28, 2025.	NAPM Comments
National Postal Policy Council (NPPC)	Comments of the National Postal Policy Council, January 28, 2025.	NPPC Comments
Pitney Bowes Inc. (Pitney Bowes)	Comments of Pitney Bowes Inc. January 28, 2025.	Pitney Bowes Comments
Public Representative (PR)	Public Representative Comments January 28, 2025.	PR Comments
Taxpayers Protection Alliance (TPA)	Taxpayers Protection Alliance Comments for ACR 2024 – Annual Compliance Review, 2024 January 23, 2025.	TPA Comments
United States Postal Service (Postal Service)	Reply Comments of the United States Postal Service, February 11, 2025.	Postal Service Reply Comments

Appendix C: Information Requests and Responses to Information Requests

Full Form Citation	Short Form Citation
Chairman's Information Requests	
Chairman's Information Request No. 1, January 10, 2025.	CHIR No. 1
Chairman's Information Request No. 2 and Notice of Filing Under Seal, January 16, 2025.	CHIR No. 2
Notice of Errata to Chairman's Information Request No. 2, January 21, 2025.	Notice of Errata, CHIR No. 2
Chairman's Information Request No. 3, January 17, 2025.	CHIR No. 3
Chairman's Information Request No. 4 and Notice of Filing Under Seal, January 23, 2025.	CHIR No. 4
Chairman's Information Request No. 5, January 29, 2025.	CHIR No. 5
Chairman's Information Request No. 7 and Notice of Filing Under Seal, January 31, 2025.	CHIR No. 7
Chairman's Information Request No. 8 and Notice of Filing Under Seal, February 7, 2025.	CHIR No. 8
Chairman's Information Request No. 9 and Notice of Filing Under Seal, February 10, 2025.	CHIR No. 9
Chairman's Information Request No. 10, February 13, 2025.	CHIR No. 10
Chairman's Information Request No. 13, March 4, 2025.	CHIR No. 13
Chairman's Information Request No. 15, March 6, 2025.	CHIR No. 15

Full Form Citation	Short Form Citation
Responses to Chairman's Information Requests	
United States Postal Service Responses to Questions 1-22 of Chairman's Information Request No. 1, January 17, 2025.	Response to CHIR No. 1
Notice of Errata to Chairman's Information Request No. 2, January 21, 2025.	January 21 Response to CHIR No. 2
Notice of the United States Postal Service of Filing its Responses to Questions 1-28 of Chairman's Information Request No. 2 and Application for Non-Public Treatment (USPS-FY24-NP34), January 23, 2025.	January 23 Response to CHIR No. 2
Notice of the United States Postal Service of Filing Supplemental Material to Questions 14 and 22 of Chairman's Information Request No. 2, January 29, 2025.	January 29 Response to CHIR No. 2
United States Postal Service Responses to Questions 1-3 of Chairman's Information Request No. 3, January 24, 2025.	Response to CHIR No. 3
Notice of the United States Postal Service of Filing its Responses to Questions 1-18 of Chairman's Information Request No. 4 and Application for Non-Public Treatment First Response Set, January 30, 2025.	January 30 Response to CHIR No. 4
Notice of the United States Postal Service of Filing its Responses to Question 19 of Chairman's Information Request No. 4 and Application for Non-Public Treatment (USPS-FY24-NP35), February 4, 2025.[1]	February 4 Response to CHIR No. 4
United States Postal Service Responses to Questions 1-6 of Chairman's Information Request No. 5, February 5, 2025.	Response to CHIR No. 5
Notice of the United States Postal Service of Filing its Responses to Questions 1-12 of Chairman's Information Request No. 7 and Application for Non-Public Treatment (USPS-FY24-NP37), February 7, 2025.	Response to CHIR No. 7
Notice of the United States Postal Service of Filing its Responses to Questions 1-19 of Chairman's Information Request No. 8 and Application for Non-Public Treatment (USPS-FY24-NP38), February 14, 2025.	Response to CHIR No. 8
Notice of the United States Postal Service of Filing its Responses to Questions 1-9 of Chairman's Information Request No. 9, February 14, 2025.	Response to CHIR No. 9
Notice of the United States Postal Service of Filing its Responses to Questions 1-3 of Chairman's Information Request No. 10, February 20, 2025.	Response to CHIR No. 10
Notice of the United States Postal Service of Filing its Responses to Chairman's Information Request No. 13, March 11, 2025.	Response to CHIR No. 13
Notice of the United States Postal Service of Filing its Responses to Chairman's Information Request No. 15, March 11, 2025.	Response to CHIR No. 15

[1] The Postal Service filed a motion for late acceptance of its February 4 Response to CHIR No. 4. *See* Motion of the United States Postal Service for Late Acceptance of the Responses to Question 19 of Chairman's Information Request No. 4, February 4, 2025. The motion is granted.

Appendix D: Reports

Full Form Citation	Short Form Citation
Annual Compliance Report	
Docket No. ACR2024, United States Postal Service FY 2024 *Annual Compliance Report*, December 30, 2024.	FY 2024 ACR
Docket No. ACR2023, United States Postal Service FY 2023 *Annual Compliance Report*, December 29, 2023.	FY 2023 ACR
Annual Compliance Determination	
Docket No. ACR2023, *Annual Compliance Determination*, March 28, 2024.	FY 2023 ACD
Docket No. ACR2022, *Annual Compliance Determination*, March 29, 2023.	FY 2022 ACD
Docket No. ACR2021, *Annual Compliance Determination*, March 29, 2022.	FY 2021 ACD
Docket No. ACR2020, *Annual Compliance Determination*, March 29, 2021.	FY 2020 ACD
Docket No. ACR2019, *Annual Compliance Determination*, March 25, 2020.	FY 2019 ACD
Docket No. ACR2018, *Annual Compliance Determination*, April 12, 2019.	FY 2018 ACD
Docket No. ACR2017, *Annual Compliance Determination*, March 29, 2018.	FY 2017 ACD
Docket No. ACR2016, *Annual Compliance Determination*, March 28, 2017.	FY 2016 ACD
Docket No. ACR2015, *Annual Compliance Determination*, March 28, 2016.	FY 2015 ACD
Docket No. ACR2014, *Annual Compliance Determination*, March 27, 2015.	FY 2014 ACD
Docket No. ACR2013, *Annual Compliance Determination*, March 27, 2014.	FY 2013 ACD
Docket No. ACR2012, *Annual Compliance Determination*, March 28, 2013.	FY 2012 ACD
Docket No. ACR2011, *Annual Compliance Determination*, March 28, 2012.	FY 2011 ACD
Docket No. ACR2010, *Annual Compliance Determination*, March 29, 2011.	FY 2010 ACD
Annual Report to Congress	
United States Postal Service Annual Report to Congress Fiscal Year 2024, December 30, 2024 – Library Reference USPS-FY24-17.	FY 2024 Annual Report
Delivering for America Plan	
United States Postal Service, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence*, March 23, 2021.	DFA Plan
Financial Analysis of the United States Postal Service Financial Results and 10-K Statement	
Docket No. ACR2023, *Financial Analysis of United States Postal Service Financial Results and 10-K Statement*, June 17, 2024.	FY 2023 Financial Analysis
Flats Operations Study Report	
Docket No. SS2022-1, *Flats Operations Study Report*, April 6, 2023.	Docket No. SS2022-1, Flats Study
Docket No. SS2022-1, Submission of the United States Postal Service Flats Plan Pursuant to Section 206 of the Postal Service Reform Act of 2022, October 6, 2023.	Docket No. SS2022-1, October 6, 2023 Flats Plan

Appendix E: Orders

Full Form Citation	Short Form Citation
Docket No. RM2010-11, Order Concerning Postal Service Request for Semi-Permanent Exceptions from Periodic Reporting of Service Performance Measurement, September 3, 2010.	Order No. 531
Docket No. RM2010-14, Order Approving Semi-Permanent Exception from Periodic Reporting of Service Performance Measurement for Applications and Mailing Permits, October 27, 2010.	Order No. 570
Docket No. CP2011-34, *et al.*, Order Approving Five Additional Global Expedited Package Services 3 Negotiated Service Agreements, December 1, 2010.	Order No. 601
Docket No. ACR2010-R, Order on Remand, August 9, 2012.	Order No. 1427
Docket No. MC2010-24, Order Approving Mail Classification Schedule Descriptions and Prices for Nonpostal Service Products, December 11, 2012.	Order No. 1575
Docket No. PI2015-1, Order Approving Use of Internal Measurement Systems, July 5, 2018.	Order No. 4697
Docket No. RM2017-1, Order Adopting Final Rules Relating to the Institutional Cost Contribution Requirement for Competitive Products, January 3, 2019.	Order No. 4963
Docket Nos. MC2019-127 and CP2019-136, Order Adding Priority Mail Express & Priority Mail Contract 92 to the Competitive Product List, April 30, 2019.	Order No. 5077
Docket No. PI2019-1, Order Granting Request and Approving Use of Internal Service Performance Measurement System, July 1, 2020.	Order No. 5576
Docket No. RM2017-3, Order Adopting Final Rules for the System of Regulating Rates and Classes for Market Dominant Products, November 30, 2020.	Order No. 5763
Docket Nos. RM2017-1 and RM2022-2, Supplemental Notice of Proposed Rulemaking and Order Initiating the Third Review of the Institutional Cost Contribution Requirement for Competitive Products, November 18, 2021.	Order No. 6043
Docket No. PI2022-1, Notice and Order Providing an Opportunity to Comment on the Postal Service's Process for Resolving Suspended Post Offices, February 3, 2022.	Order No. 6101
Docket Nos. RM2017-1 and RM2022-2, Order Finalizing Rule Relating to the Institutional Cost Contribution Requirement for Competitive Products, January 9, 2023.	Order No. 6399
Docket No. RM2022-7, Order Revising Rules for Periodic Reporting of Service Performance, February 9, 2023.	Order No. 6439
Docket No. ACR2022, Order Granting Motion for Extension of Time to Respond and for Partial Reconsideration of Question 9 of Chairman's Information Request No. 10, February 10, 2023.	Order No. 6440

Full Form Citation	Short Form Citation
Docket No. RM2023-7, Order on Analytical Principles Used in Periodic Reporting (Proposal Two), Directing the Postal Service's Participation in Further Proceedings, and Providing Notice of Filing Attachment Under Seal, August 31, 2023.	Order No. 6659
Docket No. R2023-3, Order on Market Dominant Price Change Creating Two Incentives, September 27, 2023.	Order No. 6713
Docket No. 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
Docket No. ACR2023, Order Taking Under Advisement Postal Service Motion for Waiver of Rule 39 C.F.R. § 3050.10 Regarding Disaggregated USPS Ground Advantage Cost Information, December 22, 2023.	Order No. 6894
Docket No. ACR2023, Order Denying Motion for Reconsideration in Part and Granting an Extension of Time, February 13, 2024.	Order No. 6971
Docket No. RM2024-3, Order Approving Analytical Principles Used in Periodic Reporting (Proposal One), March 12, 2024.	Order No. 7001
Docket No. ACR2023, Determination of Available Market Dominant Rate Authority, March 28, 2024.	Order No. 7023
Docket Nos. RM2024-4 RM2022-5 RM2022-6 RM2021-2, Advance Notice of Proposed Rulemaking on the Statutory Review of the System for Regulating Rates and Classes for Market Dominant Products, April 5, 2024.	Order No. 7032
Docket No. RM2024-2, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Eight) with Two Modifications, April 18, 2024.	Order No. 7049
Docket No. R2024-2, Order on Price Adjustments for First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, May 30, 2024.	Order No. 7155
Docket No. CP2024-230, Order Approving Changes in Classifications of General Applicability for Competitive Products, June 6, 2024.	Order No. 7175
Docket No. RM2024-7, Order on Analytical Principles Used in Periodic Reporting (Proposal Two), August 8, 2024.	Order No. 7347
Docket No. MC2024-413, Order Approving the Removal of International Money Transfer Service–Outbound and Conditionally Approving the Removal of International Money Transfer Service–Inbound from the Competitive Product List, August 9, 2024.	Order No. 7352
Docket No. RM2022-3, Order Approving Analytical Principles Used in Periodic Reporting (Proposal One), August 26, 2024.	Order No. 7411
Docket No. CP2024-515, Order Approving Changes in Prices Inbound EMS 2, August 29, 2024.	Order No. 7432
Docket No. RM2024-8, Order on Analytical Principles Used in Periodic Reporting (Proposal Three), September 26, 2024.	Order No. 7598

Full Form Citation	Short Form Citation
Docket No. RM2024-10, Order on Analytical Principles Used in Periodic Reporting (Proposal Four), October 7, 2024.	Order No. 7663
Docket No. RM2024-2, Order Approving the Postal Service's Proposed Changes in Response to Order No. 7049 with One Modification, November 7, 2024.	Order No. 7919
Docket No. RM2025-1, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Five), November 14, 2024.	Order No. 7970
Docket No. CP2024-515, Order Approving Changes in Prices for Inbound EMS 2, December 26, 2024.	Order No. 8423
Docket No. SS2022-1, Order on Postal Service Flats Plan, December 27, 2024.	Order No. 8436
Docket No. ACR2024, Notice of Postal Service's Filing of Annual Compliance Report and Request for Public Comments, January 2, 2025.	Order No. 8460
Docket No. ACR2024, Notice Requesting Comments on the Postal Service FY 2024 Annual Performance Report and FY 2025 Annual Performance Plan, January 22, 2025.	Order No. 8652
Order Granting Motion for Partial Reconsideration of Question 14 of Chairman's Information Request No. 2, January 24, 2025.	Order No. 8656

HELP US IMPROVE THIS REPORT

In connection with Section 2 of the Plain Writing Act of 2010, the Postal Regulatory Commission is committed to providing communications that are valuable to our readers.

We would like to hear your comments on what you find useful about our Analysis of the Postal Service's FY 2024 *Annual Compliance Determination* and how we can improve its readability and value.

Please contact the Commission's Office of Public Affairs and Government Relations to provide your feedback.

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