

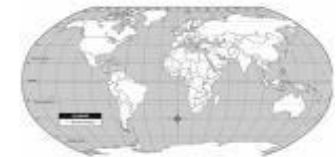


## **PUBLIC COST AND REVENUE ANALYSIS**

**Fiscal Year 2020**

Revised 2/22/2021

**FINANCE**



**PUBLIC COST AND REVENUE ANALYSIS**  
Fiscal Year 2020 - Revised 2/22/2021

Mail Classes and Products (note 1)	(in millions)			(per piece)				
	Revenue	Attributable	Volume	Revenue	Attributable	Volume	Contribution	Cost
	(note 1)	Cost	Variable Cost	\$	Cost \$	Variable	\$	Coverage
	A	B	C	D	E	F	(D-E)	(D/E)
<b>MARKET DOMINANT PRODUCTS</b>								
<b>First-Class Mail:</b>								
Single-Piece Letters.....	\$7,957.5	\$4,826.0	\$4,648.9	\$0.541	\$0.328	\$0.316	\$0.213	164.89%
Single-Piece Postcards.....	177.5	178.9	176.8	0.365	0.368	0.363	(0.003)	99.22%
<b>Total Single-Piece Letters and Cards.....</b>	<b>8,135.0</b>	<b>5,022.1</b>	<b>4,825.7</b>	<b>0.536</b>	<b>0.331</b>	<b>0.318</b>	<b>0.205</b>	<b>161.98%</b>
Presort Letters.....	13,452.9	4,781.0	4,686.8	0.394	0.140	0.137	0.254	281.38%
Presort Cards.....	546.2	204.6	203.8	0.263	0.098	0.098	0.164	266.92%
<b>Total Presort Letters and Cards.....</b>	<b>13,999.1</b>	<b>4,996.1</b>	<b>4,890.6</b>	<b>0.386</b>	<b>0.138</b>	<b>0.135</b>	<b>0.248</b>	<b>280.20%</b>
Flats.....	1,544.7	1,544.6	1,541.3	1.282	1.282	1.279	0.000	100.01%
Outbound Single-Piece First-Class Mail International....	144.5	112.7	112.3	1.493	1.164	1.160	0.328	128.22%
Inbound Single-Piece First-Class Mail International.....	222.5	267.1	266.3	1.016	1.220	1.216	(0.204)	83.28%
Fees (note 2).....	105.2							
<b>Total First-Class.....</b>	<b>24,151.0</b>	<b>12,203.0</b>	<b>11,636.1</b>	<b>0.456</b>	<b>0.230</b>	<b>0.220</b>	<b>0.226</b>	<b>197.91%</b>
<b>USPS Marketing Mail:</b>								
High Density and Saturation Letters.....	1,100.3	584.9	576.2	0.168	0.090	0.088	0.079	188.13%
High Density and Saturation Flats and Parcels.....	1,861.9	1,437.0	1,412.2	0.179	0.138	0.135	0.041	129.57%
Carrier Route.....	1,338.2	1,394.1	1,384.8	0.265	0.276	0.274	(0.011)	95.99%
Letters.....	8,139.1	4,759.5	4,616.2	0.212	0.124	0.120	0.088	171.01%
Flats.....	1,342.3	2,123.8	2,116.3	0.420	0.664	0.662	(0.244)	63.20%
Parcels.....	49.7	65.0	65.0	1.354	1.771	1.770	(0.417)	76.46%
Every Door Direct Mail Retail.....	98.7	38.4	38.0	0.186	0.072	0.072	0.114	257.12%
Fees (note 2).....	28.8							
<b>Total USPS Marketing Mail.....</b>	<b>13,959.2</b>	<b>10,783.2</b>	<b>10,208.6</b>	<b>0.217</b>	<b>0.168</b>	<b>0.159</b>	<b>0.049</b>	<b>129.45%</b>
<b>Periodicals:</b>								
In County.....	50.4	99.8	99.7	0.107	0.213	0.212	(0.105)	50.49%
Outside County.....	968.5	1,698.2	1,694.0	0.274	0.480	0.479	(0.206)	57.03%
Fees (note 2).....	4.9							
<b>Total Periodicals.....</b>	<b>1,023.8</b>	<b>1,798.4</b>	<b>1,793.7</b>	<b>0.256</b>	<b>0.449</b>	<b>0.448</b>	<b>(0.193)</b>	<b>56.93%</b>
<b>Package Services:</b>								
Alaska Bypass.....	32.2	21.8	21.8	25.466	17.250	17.250	8.216	147.63%
Bound Printed Matter Flats.....	161.0	128.3	127.2	0.762	0.607	0.602	0.155	125.54%
Bound Printed Matter Parcels.....	288.8	307.9	306.3	1.108	1.181	1.175	(0.073)	93.80%
Media and Library Mail.....	349.3	440.6	439.1	3.571	4.505	4.490	(0.933)	79.28%
Fees (note 2).....	1.0							
<b>Total Package Services.....</b>	<b>832.3</b>	<b>899.4</b>	<b>894.4</b>	<b>1.458</b>	<b>1.576</b>	<b>1.567</b>	<b>(0.118)</b>	<b>92.54%</b>
International Negotiated Service Agreements.....	51.7	10.7	10.7	60.885	12.611	12.596	48.275	482.81%
Free Mail - blind, handicapped & servicemen.....		34.8	34.8		1.380	1.380	(1.380)	
<b>Total Market Dominant Mail.....</b>	<b>40,017.9</b>	<b>25,729.5</b>	<b>24,578.3</b>	<b>0.328</b>	<b>0.211</b>	<b>0.201</b>	<b>0.117</b>	<b>155.53%</b>

**PUBLIC COST AND REVENUE ANALYSIS**  
Fiscal Year 2020 - Revised 2/22/2021

Mail Classes and Products (note 1)	(in millions)			(per piece)				
	Revenue	Attributable	Volume	Revenue	Attributable	Volume	Contribution	Cost
	(note 1)	Cost	Variable Cost	\$	Cost \$	Variable	\$	Coverage
	A	B	C	D	E	F	(D-E)	(D/E)
<b>MARKET DOMINANT SERVICES</b>								
<b>Ancillary Services</b>								
Certified Mail.....	598.1	485.2	478.7	3.560	2.888	2.849	0.672	123.27%
COD.....	3.5	3.0	3.0	11.849	10.178	10.177	1.671	116.42%
Insurance.....	92.7	32.2	32.2	5.512	1.914	1.914	3.598	287.96%
Registered Mail.....	20.6	14.5	14.5	17.863	12.567	12.566	5.296	142.14%
Stamped Envelopes.....	12.2	10.0	10.0					
Stamped Cards (note 4).....	0.5	0.2	0.2					
Other Domestic Ancillary Services (note 2).....	374.5	268.2	265.0					
Other Domestic NSA Ancillary Services (note 2).....	5.0	5.2	5.2					
Total Domestic Ancillary Services.....	1,107.0	818.4	808.8					
Total International Ancillary Services (note 2).....	22.6	23.7	23.7	2.526	2.650	2.650	(0.124)	95.33%
<b>Special Services:</b>								
Address Management Services.....	14.8	5.5	0.1					
Caller Service.....	86.5	28.2	28.1					
Credit Card Authentication (note 5).....	22.0	2.6	2.6					
Customized Postage.....	0.3	0.0	0.0					
Money Orders.....	153.3	156.9	152.8	1.989	2.036	1.983	(0.048)	97.66%
Post Office Box Service.....	298.1	130.1	130.0					
Stamp Fulfillment Services.....	8.3	5.8	5.8					
Total Special Services.....	583.3	329.1	319.5					
Total Market Dominant Services.....	1,712.9	1,191.6	1,151.9					
Total Market Dominant Mail and Services.....	41,730.8	26,922.1	25,730.2					

**PUBLIC COST AND REVENUE ANALYSIS**  
Fiscal Year 2020 - Revised 2/22/2021

Mail Classes and Products (note 1)	(in millions)			(per piece)				
	Revenue (note 1) A	Attributable Cost (note 2) B	Volume Variable Cost (note 2) C	Revenue \$ D	Attributable Cost \$ (note 2) E	Volume Variable Cost \$ F	Contribution \$ (note 2) (D-E)	Cost Coverage (note 2) (D/E)
<b>COMPETITIVE MAIL AND SERVICES</b>								
Total Priority Mail Express.....	696.7	280.3	277.4	28.901	11.629	11.509	17.272	248.53%
Total First-Class Package Service.....	6,227.5	3,907.3	3,876.0	3.370	2.114	2.097	1.255	159.38%
Total Priority Mail.....	11,528.8	8,283.9	8,107.5	9.139	6.566	6.427	2.572	139.17%
Total Ground.....	9,195.0	4,692.6	4,572.8	2.566	1.309	1.276	1.256	195.95%
Total Competitive International Mail and Services.....	1,958.9	1,450.9	1,444.8	4.748	3.517	3.502	1.231	135.01%
Total Domestic Competitive Services.....	1,003.9	345.0	299.2					
Total Competitive Mail and Services.....	30,610.8	19,426.0	18,577.7					
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Total All Mail and Services.....	72,341.6	46,414.4	44,307.9					
Miscellaneous Items (note 2).....	732.1							
Appropriations: Revenue Forgone.....	58.8							
Total Operating Income.....	73,132.5	46,414.4	44,307.9					
Investment Income (note 6).....	91.4							
Total .....	73,223.8	46,414.4	44,307.9					
All Other.....		35,985.7						
Total.....		82,400.0						

**PUBLIC COST AND REVENUE ANALYSIS**  
**Fiscal Year 2020 - Revised 2/22/2021**

**VOLUME STATISTICS**

Mail Classes and Products (note 1)	Pieces (thousands)	Weight in Pounds (thousands)	Weight per Piece (ounces)
<b>MARKET DOMINANT PRODUCTS</b>			
<b>First-Class Mail:</b>			
Single-Piece Letters.....	14,695,763	432,423	0.5
Single-Piece Postcards.....	486,288	3,125	0.1
<b>Total Single-Piece Letters and Cards.....</b>	<b>15,182,051</b>	<b>435,548</b>	<b>0.5</b>
Presort Letters.....	34,166,802	1,948,872	0.9
Presort Cards.....	2,079,692	16,995	0.1
<b>Total Presort Letters and Cards.....</b>	<b>36,246,494</b>	<b>1,965,867</b>	<b>0.9</b>
Flats.....	1,204,654	243,146	3.2
Outbound Single-Piece First-Class Mail International.....	96,831	6,055	1.0
Inbound Single-Piece First-Class Mail International.....	218,918	81,833	6.0
<b>Total First-Class.....</b>	<b>52,948,948</b>	<b>2,732,449</b>	<b>0.8</b>
<b>USPS Marketing Mail:</b>			
High Density and Saturation Letters.....	6,532,835	250,999	0.6
High Density and Saturation Flats and Parcels.....	10,426,613	1,682,978	2.6
Carrier Route.....	5,047,509	1,036,723	3.3
Letters.....	38,407,623	1,876,936	0.8
Flats.....	3,199,130	800,491	4.0
Parcels.....	36,715	14,709	6.4
Every Door Direct Mail Retail.....	529,699	67,187	2.0
<b>Total USPS Marketing Mail.....</b>	<b>64,180,125</b>	<b>5,730,022</b>	<b>1.4</b>
<b>Periodicals:</b>			
In County.....	469,363	107,073	3.6
Outside County.....	3,536,716	1,176,309	5.3
<b>Total Periodicals.....</b>	<b>4,006,079</b>	<b>1,283,382</b>	<b>5.1</b>
<b>Package Services:</b>			
Alaska Bypass.....	1,264	85,149	1077.5
Bound Printed Matter Flats.....	211,204	372,925	28.3
Bound Printed Matter Parcels.....	260,591	499,282	30.7
Media and Library Mail.....	97,801	202,080	33.1
<b>Total Package Services.....</b>	<b>570,861</b>	<b>1,159,436</b>	<b>32.5</b>
U.S. Postal Service.....	321,763	109,243	5.4
Free Mail - blind, handicapped & servicemen.....	25,186	9,960	6.3
International Negotiated Service Agreements.....	849	897	16.9
<b>Total Market Dominant Mail.....</b>	<b>122,053,811</b>	<b>11,025,389</b>	<b>1.4</b>

**PUBLIC COST AND REVENUE ANALYSIS**  
**Fiscal Year 2020 - Revised 2/22/2021**

**VOLUME STATISTICS**

<u>Mail Classes and Products</u> <u>(note 1)</u>	<u>Pieces</u> <u>(thousands)</u>	<u>Weight in</u> <u>Pounds</u> <u>(thousands)</u>	<u>Weight per</u> <u>Piece</u> <u>(ounces)</u>
<b>MARKET DOMINANT SERVICES</b>			
<b>Ancillary Services</b>			
Certified Mail.....	168,011		
COD.....	292		
Insurance.....	16,825		
Registered Mail.....	1,152		
Other Domestic Ancillary Services (note 2).....	1,715,374		
Other Domestic NSA Ancillary Services (note 2).....	2,103		
Total International Ancillary Services (note 2).....	8,932		
<b>Special Services</b>			
Money Orders.....	77,069		
<b>Total Market Dominant Service Transactions.....</b>	<b>1,989,758</b>		
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<b>COMPETITIVE PRODUCTS</b>			
Total Priority Mail Express.....	24,106	28,811	19.1
Total First-Class Package Service.....	1,848,140	696,425	6.0
Total Priority Mail.....	1,261,551	3,349,316	42.5
Total Ground.....	3,584,009	10,572,517	47.2
Total Competitive International.....	412,539	346,253	13.4
<b>Total Competitive Mail.....</b>	<b>7,130,345</b>	<b>14,993,323</b>	<b>33.6</b>
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<b>TOTAL ALL MAIL.....</b>	<b>129,184,156</b>		

**UNITED STATES POSTAL SERVICE  
NOTES TO PUBLIC COST AND REVENUE ANALYSIS  
Fiscal Year 2020  
Revised 02/22/2021**

**1. Public Cost and Revenue Analysis**

The U.S. Postal Service (Postal Service) has annually prepared the Domestic Cost and Revenue Analysis (CRA) and International Cost and Revenue Analysis (ICRA) covering the period October 1 through September 30. The CRA and ICRA were created to aid in determining that the statutory requirements under Title 39 U.S. Code are met, that “each class of mail or type of mail service bear the direct and indirect costs attributable to that class or service....”

As a result of the enactment of Public Law 109-435 on December 20, 2006, the Postal Service continues to produce cost and revenue information by product using methods approved by the Postal Regulatory Commission (PRC). The PRC methods are described in the PRC’s Annual Compliance Determination Report. The Fiscal Year 2020 Public Cost and Revenue Analysis Report (PCRA) combines revenue and cost data from both the domestic and international CRAs. It represents the PRC’s methodology of presenting each mail category’s estimated attributable and unit costs. The PCRA also displays revenue, pieces and weight information from the Revenue, Pieces and Weight (RPW) report. The Public CRA differs from the Non-Public CRA by not detailing costs for specific products defined by the PRC as “Competitive.”

The postal system of accounts is the basis for PCRA data; however, the postal system of accounts generally does not accumulate financial data by category of mail. Apportionment factors, derived from various postal operational and statistical information sources, are required for development of the data for PCRA purposes. Some of these sources (e.g., In-Office Cost System and Origin-Destination Information System-Revenue, Pieces and Weight (ODIS-RPW)) are dedicated to this purpose and involve extensive statistical sampling of postal activities during the year. Calculated amounts are compared and scaled to actual data in the postal system of accounts, as appropriate.

**2. Definitions**

**Volume Variable Cost** – Volume variable costs are calculated by multiplying the total volume of the class or product by the unit costs (the change in total costs resulting from a one-unit change in its volume alone, when the volumes of other products remain constant).

**Product Specific Cost** – Product specific costs represent costs that are not volume variable but, for certain products, are directly or indirectly caused by that product.

**Incremental Cost** – The incremental cost of a product is the total cost caused by adding that product to the Postal Service’s output mix.

**Inframarginal Cost** – The inframarginal costs of a product represent the difference between the incremental cost of the product and the sum of the volume variable and product specific costs of the product.

**Attributable Cost** – The attributable costs of a product include the sum of volume variable costs, product specific costs, and those inframarginal costs calculated as part of the product’s incremental costs.

**Contribution** – Revenue per piece minus the attributable cost per piece.

**Cost Coverage** – Revenue per piece as a percentage of the attributable cost per piece (unit revenue divided by unit attributable cost.)

**Fees** – Fees associated with a specific class of mail or product are included in the reported revenue for that class or product.

**International Mail** – International mail detail is provided in the International Cost and Revenue Analysis report.

**Other Domestic Ancillary Services** – Includes identifiable costs for the following domestic services: return receipts, signature confirmation, certificate of mailing, merchandise return service, merchandise return receipt, restricted delivery, business reply, address correction services, bulk parcel return service, parcel airlift, shipper paid forwarding, premium stamped stationary, premium stamped cards and that portion of USPS Tracking associated with Marketing Mail parcels.

**International Ancillary Services** – Includes identifiable costs for certificate of mailing, outbound registered mail, inbound registered mail, outbound return receipt, inbound return receipt, outbound restricted delivery, inbound restricted delivery, outbound insurance, inbound insurance, customs clearance and delivery fees, outbound reply coupon service, inbound reply coupon service, outbound business reply mail service and inbound business reply mail service. These are fees for additional services related to mail products that have been already counted in other sections of this report.

**Negotiated Service Agreement Mail (NSA)** – Where there are negotiated service agreements, their costs are shown in separate rows within each applicable class. The details for both domestic and international NSAs are provided in the Annual Compliance Report.

**Miscellaneous Items** – Includes philatelic sales, fees, fines, unclaimed money from dead letters, sales of services performed for government agencies and private contractors. Not included is \$7.8 million of imputed interest earned on money order float, which is reclassified to domestic and international money orders.

### **3. Aggregate Categories**

In this report, the Attributable Costs reported in rows containing multiple products (e.g., Total Single-Piece Letters and Cards, Total First-Class) do not reflect the sum of the Attributable Costs of each of the component products included in the row. Instead, they generally represent the group incremental costs of those aggregate categories as separately shown in the Market Dominant Incremental Cost folder (USPS-FY20-43) or the Competitive Incremental Cost folder (USPS-FY20-NP10). Detailed descriptions of the procedures by which the Total First-Class row and certain other specific aggregate rows are derived can be found in the Preface materials presented with this report in USPS-FY20-1.

### **4. Cards**

Volume variable costs are the printing costs related to stamped cards.

### **5. Credit Card Authentication**

Revenue for Credit Card Authentication represents the total revenue from Credit Card Authentication service, and the Expenses include credit card fees, payment switch fees and call center support. Cost coverage does not equal Revenue divided by Expense because third- party agreements reduce both Revenues and Expenses.



**6. Miscellaneous Adjustments**

- A) Imputed interest on money order float is included with interest and investment income in the 2020 Annual Report (Form 10-K) but is distributed to money order products in the PCRA Report (in millions). Total revenue may not match exactly between the Form 10-K and PCRA.

Operating and Other Revenue per 10-K Annual Report	\$73,133		
Interest and Investment Income per 10-K Annual Report	<u>92</u>		
Total Revenue	<u>\$73,225</u>	PCRA Report Revenue	<u>\$73,224</u>

- B) Interest expense is shown separately in the 2020 Annual Report (Form 10-K) and is reported as part of total expenses in the PCRA Report (in millions). Total expenses may not match exactly between the Form 10-K and the PCRA due to rounding.

Operating Expenses per 10-K Annual Report	\$82,187		
Interest expense per 10-K Annual Report	<u>214</u>		
Total Expenses	<u>\$82,401</u>	PCRA Report Expense	<u>\$82,400</u>