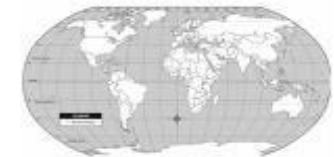




PUBLIC COST AND REVENUE ANALYSIS

Fiscal Year 2022

FINANCE



Updated per Order No. 6459 - March 24,2023

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2022 - Updated per Order No. 6459 - March 24, 2023

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)
MARKET DOMINANT PRODUCTS								
First-Class Mail:								
Single-Piece Letters.....	\$7,140.8	\$4,614.3	\$4,462.7	\$0.576	\$0.372	\$0.360	\$0.204	154.75%
Single-Piece Postcards.....	174.5	146.7	145.0	0.424	0.356	0.352	0.067	118.93%
Total Single-Piece Letters and Cards.....	7,315.3	4,775.5	4,607.7	0.571	0.373	0.359	0.198	153.18%
Presort Letters.....	14,115.2	4,606.9	4,516.6	0.439	0.143	0.140	0.296	306.39%
Presort Cards.....	891.6	281.8	279.9	0.316	0.100	0.099	0.216	316.34%
Total Presort Letters and Cards.....	15,006.8	4,901.5	4,796.5	0.429	0.140	0.137	0.289	306.17%
Flats.....	1,587.4	1,462.0	1,458.9	1.455	1.340	1.337	0.115	108.58%
Outbound Single-Piece First-Class Mail International.....	186.9	109.2	109.2	1.682	0.983	0.983	0.699	171.08%
Inbound Single-Piece First-Class Mail International.....	58.0	45.4	45.4	0.743	0.581	0.581	0.162	127.91%
Fees (note 2).....	41.4							
Total First-Class.....	24,195.8	11,512.5	11,017.7	0.493	0.235	0.224	0.258	210.17%
USPS Marketing Mail:								
High Density and Saturation Letters.....	1,130.0	569.5	563.6	0.187	0.094	0.093	0.093	198.43%
High Density and Saturation Flats and Parcels.....	1,788.2	1,351.8	1,332.0	0.189	0.143	0.141	0.046	132.29%
Carrier Route.....	1,433.2	1,443.4	1,436.5	0.304	0.306	0.304	(0.002)	99.29%
Letters.....	10,226.7	5,356.3	5,191.0	0.234	0.123	0.119	0.111	190.93%
Flats.....	1,296.1	1,945.8	1,940.9	0.481	0.722	0.721	(0.241)	66.61%
Parcels.....	52.5	60.0	60.0	1.784	2.040	2.039	(0.256)	87.44%
Every Door Direct Mail Retail.....	100.8	38.6	38.4	0.197	0.075	0.075	0.121	261.31%
Fees (note 2).....	21.4							
Total USPS Marketing Mail.....	16,048.9	11,187.5	10,562.3	0.239	0.167	0.157	0.072	143.45%
Periodicals:								
In County.....	50.8	104.7	104.7	0.117	0.241	0.241	(0.124)	48.52%
Outside County.....	903.7	1,465.6	1,462.6	0.305	0.494	0.493	(0.189)	61.66%
Fees (note 2).....	0.2							
Total Periodicals.....	954.7	1,570.8	1,567.2	0.281	0.462	0.461	(0.181)	60.78%
Package Services:								
Alaska Bypass.....	38.5	28.3	28.3	28.763	21.152	21.152	7.611	135.98%
Bound Printed Matter Flats.....	119.1	95.9	95.7	0.865	0.696	0.695	0.169	124.30%
Bound Printed Matter Parcels.....	297.6	274.6	274.1	1.234	1.139	1.136	0.095	108.37%
Media and Library Mail.....	402.3	440.9	440.0	4.235	4.642	4.633	(0.407)	91.24%
Fees (note 2).....	0.5							
Total Package Services.....	858.0	840.3	838.1	1.805	1.768	1.764	0.037	102.10%
International Negotiated Service Agreements.....								
Free Mail - blind, handicapped & servicemen.....		27.1	27.1		1.484	1.484	(1.484)	
Total Market Dominant Mail.....	42,057.4	25,138.2	24,012.5	0.349	0.209	0.199	0.141	167.30%

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2022 - Updated per Order No. 6459 - March 24,2023

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)
MARKET DOMINANT SERVICES								
Ancillary Services								
Certified Mail.....	652.9	478.8	472.4	3.840	2.816	2.778	1.024	136.35%
COD.....	4.5	4.3	4.3	15.252	14.738	14.737	0.515	103.49%
Insurance.....	87.6	23.4	23.4	6.915	1.847	1.847	5.068	374.32%
Registered Mail.....	22.7	16.3	16.2	20.110	14.467	14.389	5.643	139.00%
Stamped Envelopes.....	6.7	6.7	6.7					
Stamped Cards (note 4).....	0.3	0.1	0.1					
Other Domestic Ancillary Services (note 2).....	465.7	268.5	265.5					
Other Domestic NSA Ancillary Services (note 2).....	3.8	3.7	3.7					
Total Domestic Ancillary Services.....	1,244.2	801.8	792.3					
Total International Ancillary Services (note 2).....	8.7	4.3	4.3	11.044	5.389	5.389	5.655	204.94%
Special Services:								
Address Management Services.....	27.8	4.7	0.0					
Caller Service.....	91.3	22.6	22.6					
Credit Card Authentication (note 5).....	20.6	2.7	2.7					
Money Orders.....	172.2	173.7	164.1	2.594	2.616	2.472	(0.022)	99.15%
Post Office Box Service.....	310.9	130.8	130.7					
Stamp Fulfillment Services.....	6.9	5.4	5.4					
Total Special Services.....	629.7	339.8	325.5					
Total Market Dominant Services.....	1,882.6	1,166.0	1,122.1					
Total Market Dominant Mail and Services.....	43,940.0	26,304.2	25,134.6					

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2022 - Updated per Order No. 6459 - March 24,2023

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)
COMPETITIVE MAIL AND SERVICES								
Total Priority Mail Express.....	770.3	303.8	299.0	28.226	11.130	10.957	17.096	253.60%
Total First-Class Package Service.....	7,809.4	4,625.4	4,586.6	3.984	2.359	2.340	1.624	168.84%
Total Priority Mail.....	11,957.9	8,742.1	8,530.7	10.097	7.381	7.203	2.715	136.78%
Total Ground.....	9,865.0	5,024.2	4,896.7	2.776	1.414	1.378	1.362	196.35%
Total Competitive International Mail and Services.....	1,458.6	1,079.2	1,076.0	8.807	6.516	6.497	2.290	135.15%
Total Domestic Competitive Services.....	1,266.1	342.9	303.4					
Total Competitive Mail and Services.....	33,127.3	20,667.4	19,692.4					
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Total All Mail and Services.....	77,067.2	47,034.9	44,827.0					
Miscellaneous Items (and Gains) (note 2).....	58,482.3							
Appropriations: Revenue Forgone.....	45.0							
Total Operating Income (and Gains).....	135,594.5	47,034.9	44,827.0					
Investment Income (note 6).....	191.7							
Total	135,786.3	47,034.9	44,827.0					
All Other (note 7).....		32,705.6						
Total.....		79,740.5						

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2022 - Updated per Order No. 6459 - March 24,2023

VOLUME STATISTICS

Mail Classes and Products (note 1)	Pieces (thousands)	Weight in Pounds (thousands)	Weight per Piece (ounces)
MARKET DOMINANT PRODUCTS			
First-Class Mail:			
Single-Piece Letters.....	12,405,736	369,760	0.5
Single-Piece Postcards.....	411,879	2,656	0.1
Total Single-Piece Letters and Cards.....	12,817,615	372,416	0.5
Presort Letters.....	32,170,065	1,847,977	0.9
Presort Cards.....	2,822,236	23,088	0.1
Total Presort Letters and Cards.....	34,992,301	1,871,065	0.9
Flats.....	1,091,016	223,657	3.3
Outbound Single-Piece First-Class Mail International.....	111,125	6,964	1.0
Inbound Single-Piece First-Class Mail International.....	78,060	7,382	1.5
Total First-Class.....	49,090,118	2,481,483	0.8
USPS Marketing Mail:			
High Density and Saturation Letters.....	6,044,841	233,193	0.6
High Density and Saturation Flats and Parcels.....	9,440,571	1,406,847	2.4
Carrier Route.....	4,718,228	979,200	3.3
Letters.....	43,682,480	2,076,244	0.8
Flats.....	2,693,530	667,311	4.0
Parcels.....	29,415	12,709	6.9
Every Door Direct Mail Retail.....	512,153	64,961	2.0
Total USPS Marketing Mail.....	67,121,219	5,440,466	1.3
Periodicals:			
In County.....	434,754	94,614	3.5
Outside County.....	2,965,610	960,619	5.2
Total Periodicals.....	3,400,364	1,055,232	5.0
Package Services:			
Alaska Bypass.....	1,340	90,337	1078.8
Bound Printed Matter Flats.....	137,776	210,988	24.5
Bound Printed Matter Parcels.....	241,140	495,645	32.9
Media and Library Mail.....	94,975	200,267	33.7
Total Package Services.....	475,232	997,238	33.6
U.S. Postal Service.....	266,431	78,353	4.7
Free Mail - blind, handicapped & servicemen.....	18,287	7,072	6.2
International Negotiated Service Agreements.....	0	0	0.0
Total Market Dominant Mail.....	120,371,650	10,059,844	1.3

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2022 - Updated per Order No. 6459 - March 24,2023

VOLUME STATISTICS

Mail Classes and Products (note 1)	Pieces (thousands)	Weight in Pounds (thousands)	Weight per Piece (ounces)
MARKET DOMINANT SERVICES			
Ancillary Services			
Certified Mail.....	170,035		
COD.....	295		
Insurance.....	12,674		
Registered Mail.....	1,128		
Other Domestic Ancillary Services (note 2).....	155,946		
Other Domestic NSA Ancillary Services (note 2).....	1,442		
Total International Ancillary Services (note 2).....	792		
Special Services			
Money Orders.....	66,375		
Total Market Dominant Service Transactions.....	408,687		
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COMPETITIVE PRODUCTS			
Total Priority Mail Express.....	27,292	28,272	16.6
Total First-Class Package Service.....	1,960,388	749,223	6.1
Total Priority Mail.....	1,184,348	3,141,581	42.4
Total Ground.....	3,553,356	8,555,752	38.5
Total Competitive International.....	165,623	234,674	22.7
Total Competitive Mail.....	6,891,006	12,709,502	29.5
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TOTAL ALL MAIL.....	127,262,656		

**UNITED STATES POSTAL SERVICE
NOTES TO PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2022**

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 2022 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 (and Gains) – Includes philatelic sales, fees, fines, unclaimed money from dead letters, sales of services performed for government agencies and private contractors. Not included is \$5,356 thousand of imputed interest earned on money order float, which is reclassified to domestic and international money orders. In accordance with Order No. 6459 (March 17, 2023), also included exclusively for FY 2022 is what for regulatory purposes the Commission has deemed to be a nonrecurring noncash, nonexchange gain of \$56,975.1 million associated with the Postal Service Reform Act's cancellation of past years unpaid Retiree Health Benefit debts.

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-FY22-43) or the Competitive Incremental Cost folder (USPS-FY22-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-FY22-1.

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 2022 Annual Report (Form 10-K) but is distributed to money order products in the PCRA Report (in millions). Also included is what the Commission has deemed for regulatory purposes to be the nonrecurring noncash, nonexchange gain of \$56.975.1 million associated with the Postal Service Reform Act's cancellation of past years unpaid Retiree Health Benefits debts. Total revenue may not match exactly between the Form 10-K and PCRA due to rounding.

Operating and Other Revenue per 10-K Annual Report	\$78,620		
Impact of Postal Reform Legislation [Gain]	56,975		
Interest and Investment Income per 10-K Annual Report	<u>192</u>		
Total Revenue [& Gains]	<u>\$135,787</u>	PCRA Report Revenue & Gains	<u>\$135,786</u>

- B) Interest expense is shown separately in the 2022 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	\$79,570		
Interest expense per 10-K Annual Report	<u>171</u>		
Total Expenses	<u>\$79,741</u>	PCRA Report Expense	<u>\$79,741</u>