The Universal Service Obligation

What it is
The Postal Reorganization Act of 1970 (PRA) and annual appropriations acts passed by Congress set the parameters for the Postal Service’s universal service obligation (USO).

The USO binds the Postal Service to provide prompt, reliable, affordable, and efficient postal services to all Americans, regardless of where they live. The Postal Service does not receive tax dollars to cover operating expenses.

USO parameters allow for some Postal Service discretion to adjust operations to changing conditions. However, any adjustments (to the USO) are checked by statutory restrictions, oversight by Congress and the Postal Regulatory Commission (PRC), as well as the Postal Service’s legal obligation to bargain with its unions over resulting impacts, if any, to wages, hours, or working conditions of bargaining unit employees.

In recognition of the burdens imposed by the USO, Congress has historically sought to sustain the obligation by guaranteeing the Postal Service certain revenues:

- The Private Express Statutes require all letters less than 12.5 ounces carried over post routes to be sent through the Postal Service, with various exceptions.
- Another statute requires all mailable matter placed into mailboxes to bear postage. This statute not only protects postal revenue, but also ensures the privacy, security, and efficiency of the mail.

These measures, sometimes referred to as the Letter Monopoly and the Mailbox Monopoly, respectively, guard against the risk that competitors might undermine the Postal Service’s provision of universal service by skimming off lucrative business while leaving behind only more costly volume. Despite these USO-supporting measures, the Postal Service’s inflexible business model has resulted in an unbroken streak of multibillion-dollar net losses since 2006.

Why it Matters
Although the postal system retains a key role in America’s economic and cultural life, the public has drastically reduced its use of the mail in the face of electronic alternative communication channels and severe recessions. This, along with a rigid price-regulation system and other unfunded legislative mandates, has eroded the ability of the Postal Service to fund its USO.

Private delivery companies that provide competing services do not operate under a USO. They can raise rates or refuse delivery whenever they deem that certain customers or delivery points are not cost-effective.

The Postal Service takes its universal service mission seriously and strives to keep communities connected and deliver a sense of normalcy, even during local, regional, or national disruptions to service. The organization’s growing difficulties in providing universal postal service in a financially self-sustaining manner will require Congressional action, together with management and regulatory action.

1.5 million
The number of new delivery points added in 2020.

43 percent
The percent of the world’s mail volume handled by the Postal Service.