A Comparative Study of International Postal Models

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

RISC REPORT

Report Number RISC-WP-25-001 | February 27, 2025

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Executive Summary

Governments around the world have established widely different postal models — combinations of public missions, commercial freedoms, privileges, and legal statuses — designed to enable postal operators to meet their obligations and operate in a financially sustainable manner.

The OIG compared postal models across a selection of 26 posts: the Postal Service and 25 foreign national postal operators. While the Postal Service operates under a unique model that balances flexibility in meeting universal service obligations (USO) with significant constraints (such as stricter pricing regulations, mandated six-day delivery, and limited diversification), many foreign posts enjoy greater commercial freedom, more relaxed delivery schedules, diversified revenue streams, and government funding to support USO commitments.

Specific country characteristics also shape postal models, and in the U.S. the relative size of the market has been a key factor. In 2023, the Postal Service alone delivered about 49 percent of the world's 227 billion mailpieces, far surpassing the volumes managed by any other national postal operator. However, dramatically declining volumes in the U.S. present challenges to financial sustainability.

The Postal Universal Service Obligation

Laws and regulations have made the Postal Service's model distinct from its international peers. Sometimes, this led to greater flexibility to fulfill its universal service obligation (USO). For example, the U.S. law defines much of the USO qualitatively, granting the Postal Service flexibility in adjusting many key parameters to balance service quality with financial sustainability. Conversely, other posts often operate within more rigid frameworks that can impose specific rules on retail access or service standards. At other times, however, USPS's postal model is more constrained than other models around the world. For instance, USPS is legally required to provide a broader range of USO products and maintain six-day delivery, while most posts in the comparison sample operate with five-day, three-day, or every-other-day delivery frequencies to reduce costs.

Pricing regulations further illustrate these differences. Like in the U.S., many countries require regulatory or government approval for letter mail price increases. However, the Postal Service is subject to stricter pricing regulations, with 100 percent of its mail volume falling under a price cap. Additionally, parcel pricing is generally less regulated for foreign posts than in the United States, where laws and regulations impose approval on both retail and commercial parcel prices. Funding mechanisms for the USO also differ across countries. Posts such as USPS and the other posts in our sample that retain a letter mail delivery monopoly have experienced a decline in the financial benefits such monopolies provide. In nine countries in our sample, governments provide funding — up to 8 percent of the posts' annual revenue — to support nationwide USO commitments or other public service missions. Meanwhile, government appropriations to USPS amounted to less than one-tenth of one percent of the Postal Service's overall revenue.

Business and Commercial Flexibility

While the legal status of a postal operator (government-owned or private corporation) does not directly affect the scope or public funding of its universal service obligations, it does influence how freely a post can operate its business. The 15 posts in our sample that operate as private corporations generally have greater commercial freedom than government-owned posts to streamline costs, reduce workforce size, and manage capital investments. Most of the others, such as USPS, are state-owned enterprises (SOEs) — i.e., government-owned corporations. They are facing various degrees of limitations in their business decision-making. For example, USPS, Canada Post, and Swiss Post are subject to debt caps that may restrain their capital expenditure. However, the US government does not outline or direct the post's overall business strategy goals.

Unlike most posts in our comparison, the Postal Service remains largely restricted in its ability to diversify beyond postal products and services. As a result, it is among the five least diversified posts in our sample. Diversified posts tend to be more profitable than others as their diverse portfolio of services helps them offset the declining or negative profitability of mail. Additionally, most posts have more flexibility than the Postal Service in managing postal pension funds — they can determine how to diversify investments of retiree assets and propose changes to the rules governing pension funds.

Measuring the Value of Postal Models

Postal operators universally contend with declining mail volumes and increasing competition in parcel delivery. In 2023, approximately half of the posts in our sample reported financial losses, including the Postal Service.

Financial profitability, while critical, is not the sole measure of the relevance of a postal model. The Universal Postal Union, for example, ranks postal operators worldwide based on their contributions to their country's societal and economic progress. These rankings show that posts that are financially challenged can still rank highly — as USPS does — in terms of the value they provide to their countries' development. This underscores the multifaceted role of postal operators in their respective countries.

Keeping Postal Models Profitable and Relevant

No single postal model guarantees sustained long-term success without continuous adjustments. The relevance of each postal model hinges in fact on the posts' and governments' ability to adjust the model to evolving societal needs and market conditions. While many countries privatized their posts between 2000 and 2015, very few governments are pursuing structural overhaul of their models today. Most operators prioritize changes within their existing frameworks that combine streamlining operations and pursuing new business in markets adjacent to postal services, with seeking legislative reforms to alleviate regulatory and financial burdens. For example, posts in Europe, Canada, and Australia have advocated for relaxed USO obligations or increased government funding.

In the United States, the Postal Service is currently focused on advancing its Delivering for America (DFA) 2.0 – Fulfilling the Promise plan. Its legislative agenda does not propose significant shifts to its business model but seeks regulatory reform that would provide greater business and financial flexibility. Its reform areas include changes to the way Civil Service Retirement System (CSRS) liabilities are calculated, the flexibility to use market-based investments of retiree funds, and an increase of its debt limit of $15 billion. However, while outlining a strategic path, the Delivering for America plan 2.0 lacks specific timelines for implementing key reforms and details on their expected impact on finances, leaving uncertainty about the Postal Service's long-term financial sustainability.

Observations

Introduction

National postal operators (also referred to as "posts" in this paper) are structured in different ways and operate in varying legal and market environments that impact their operational flexibility and profitability. In a recent report, the OIG discussed how the legislative and regulatory framework applying to the Postal Service differed from those under which other federal agencies and private sector competitors operate.[1] This report follows a similar approach. It analyzes the key differences between the Postal Service's and international posts' models and examines their impact on posts' ability to balance public service missions and financial sustainability.

For the purposes of this paper, we define postal "models" as the combination of:

- The public service missions, commercial freedoms, privileges, and legal status a government has granted a post to ensure it meets its obligations in a financially sustainable manner, and
- The strategies the post implements to achieve financial sustainability within these frameworks.

In 2023, the Postal Service delivered about 49 percent of the world's total 227 billion mailpieces, a scale unrivaled by any other national postal operator.[2] The size of its market creates economies of scale and scope — in which a proportion of the cost of sortation and delivery is offset by the scale of volume and the scope of mail products offered. While it is unique in this respect, the challenges the Postal Service is facing, including dramatically declining volumes, are common to many countries. We selected for this analysis the 25 foreign national postal operators most comparable to the Postal Service — albeit generally much smaller — in terms of total revenue and land area. In practice, we chose posts with a total annual revenue exceeding $1 billion that are based in countries with a land area of more than 10,000 square miles. The list includes 16 European countries, 6 Asian countries, Australia, Brazil, and Canada.[3]

This report first compares the main legal and regulatory components of postal models. It examines the posts' public service missions — with a focus on the Universal Service Obligation (USO) — and how these missions are funded. It then highlights differences in legal status and how that status shapes posts' business and commercial freedoms. Finally, it provides a high-level comparison of strategies implemented by posts to respond to largely common trends, including a discussion of differences in current legislative agendas.

Fulfillment and Funding of the USO and Other Public Service Missions

The main public service mission of posts around the world is the provision of the universal service obligation (USO). The USO is a collection of requirements meant to ensure that all citizens and businesses receive a mandated minimum level of service at an affordable price, wherever they live or work. The USO may be defined by a variety of sources including national legislation, government regulations, international agreements (primarily the Universal Postal Union (UPU) Convention), and, in some cases, the national post itself. The governments of every country in our sample, except for Germany, have assigned the provision of the USO to its national post.[4]

The scope and funding of the USO are two factors contributing to the financial health of postal

1 See U.S. Postal Service Office of Inspector General, "Business or Public Service? Insights into the Unique Laws and Regulations Applying to the Postal Service," Report No. RISC-WP-24-006, August 2, 2024, https://www.uspsoig.gov/reports/white-papers/business-public-service-insights.
2 According to the Universal Postal Union (UPU), domestic and international letter post products for calendar year (CY) 2023 totaled 227 billion. USPS products falling under the UPU definition of letter-post items totaled nearly 111 billion over that same period, including Market Dominant classes and First Class Package Service (now part of USPS Ground Advantage). See UPU, Postal Statistics Database, https://www.upu.int/en/universal-postal-union/activities/research-publications/postal-statistics#query-the-database, and USPS, Revenue, Pieces, and Weight (RPW) FY 2023, https://about.usps.com/what/financials/revenue-pieces-weight-reports/fy2023.pdf.
3 In keeping with the United Nations categorization of countries, we counted Russia as a European country.
4 In its function as Germany's postal operator, the privatized DHL Group has committed to providing the USO although it is not legally mandated to do so. The postal regulator monitors the market to ensure its provision.

operators. In the U.S. and elsewhere, the provision of the USO is not — or is no longer — profitable, ushering in a policy debate over the necessary level of public service and how to fund it. In this section, we provide examples of the different levels of constraints postal operators face in fulfilling the USO, and compare USPS's constraint levels against other posts.[5] Overall, the scope of the USO in the U.S. is broader than in most other countries, and many USO aspects are less specifically defined.

The Scope of the USO Varies Across Countries

The USO differs across countries and, as a result, there are variations in the scope of services posts must provide (see Figure 1). For instance, many governments include parcels within the scope of their USO, and some governments also include banking and/or financial services. India is the only country in our sample without legislation to define the scope of its universal service.[6] The Postal Service's USO was broadly defined in the Postal Reorganization Act of 1970, and only slightly updated to ensure delivery service is maintained 6 days a week under the Postal Service Reform Act (PSRA) of 2022.

The scope of the U.S. Universal Service Obligation is broader than in many other countries, and many USO aspects are less specifically defined.

Figure 1: Key Characteristics of Postal Public Service Missions

Designation of universal service provider in postal law	***No designation:*** Germany	***Designation:*** United States and 14 other countries	
Scope of postal USO products	***Excludes parcels:*** Australia, Japan, Russia, Vietnam	***Excludes bulk transactional or advertising mail or periodicals:*** Australia, Finland, Netherlands, Taiwan, UK	***Includes most or all letters and parcels:*** United States and 16 other countries
Level of USO quantitative targets	***Mostly or only set by post:*** United States, India	***Mostly set by postal law or regulator:*** All other countries	
Additional public service missions	***None specified in legislation:*** United States and 17 other countries	***Specified by legislation:*** Belgium, Brazil, China, France, Japan, Spain, Taiwan, Vietnam	
USO oversight	***No postal regulator:*** Canada, India	***By independent agency:*** United States and 16 other countries	***By government department:*** Brazil, China, Japan, Russia, South Korea, Taiwan, Vietnam

Source: OIG Analysis.

5 Starting in 2024, a country outside our sample, Denmark, removed the obligation to provide the universal service previously entrusted to a single provider. However, as in Germany, the post continues to deliver mail. The law allows the regulator to intervene by, for example, tendering the universal service. See: Line Theil Elikofer, "The Danish Market and Changes," September 2024, https://www.cullen-international.com/dam/jcr:d0df361d-9246-4acd-90c2-8ad877e80f64/Presentation-Line-Theil-Elikofer-Briefing-USO-2024.pdf.

6 India's Post Office Act of 2023 does not contain any reference to the universal service and simply states that "the Post Office shall provide such services as the central government may prescribe." However, new Post Office Regulations issued in December 2024 defined a very large USO encompassing all classes of letter mail and well as parcels.

- Letter mail: In most other countries, the USO covers, at a minimum, basic domestic single-piece letter mail. It usually also includes registered mail, insured mail, and cross-border letter mail. However, in some countries, commercial mail such as bulk mail (in particular, advertising mail products), newspapers, and periodicals are not included in the USO.
- Parcels: The universal service obligation also includes, at a minimum, retail (single-piece) domestic parcel post and cross-border parcels in addition to letter mail — but there are exceptions. For example, legislation in Australia, Vietnam, Russia, and Japan completely excludes parcels from the USO, and only "uninsured non-urgent packets" are included in Brazil's legislation. Some countries also exclude parcels above a certain weight threshold.

Unlike these countries, the United States has a comparatively larger universal service obligation that covers both Market Dominant and Competitive products — in other words, all of the Postal Service's mail and parcel business.

To oversee fulfillment of the USO and ensure customers receive the mandated level of service, most governments have implemented an oversight function that generally involves independent agencies or government departments (Box 1).

BOX 1: MAIN TYPES OF REGULATORY OVERSIGHT

Two main models of regulatory oversight coexist:

- Direct authority by a government department, generally the ministry in charge of communications or transportation. This is the model in seven countries: Brazil, China (State Post Bureau), Japan, Russia, South Korea, Taiwan, and Vietnam.
- Authority by an independent regulator (16 countries)*. In Europe, almost all countries have an independent postal regulatory authority, as required by 1997 European Union legislation.

The U.S. belongs to the second category. However, it is the only country in our comparison set where an independent postal regulator's only role is to oversee the national post. Unlike other regulators in this second category, the U.S.'s Postal Regulatory Commission (PRC) does not grant any licenses to delivery companies or impose any obligations on them. The Australian Competition & Consumer Commission's role in postal oversight is also limited to the post, but this body also oversees other industry sectors.

India and Canada are outliers in that they do not operate with a dedicated postal regulatory body, albeit for different reasons. India Post is established as a government department and is thus empowered to set its own regulations. In Canada, the main responsibilities for overseeing and governing Canada Post are spread throughout the government. Public Services and Procurement Canada (PSPC), a government department, interfaces between the national post and the minister responsible for postal affairs to ensure that Canada Post meets its obligations.

*Australia, Austria, Belgium, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Poland, Spain, Sweden, Switzerland, UK, USA.

In addition to the USO, some governments also assign other missions to their posts. Like the USO, these missions are essential services available to all citizens.

According to UPU data, 40 percent of countries worldwide include financial services in their universal postal service. In our sample, Vietnam and China position financial and banking services within their posts' public missions, and France's Groupe La Poste has a financial inclusion mandate within its mission.[7] Other public service missions include regional planning (France) and social services (Belgium).[8] For example, Belgium's post must provide the home delivery of pension payments.

The Postal Service has a long history of fulfilling public service missions, often going beyond providing services mandated by U.S. postal law.[9] From vote-by-mail programs to providing emergency and disaster relief, the Postal Service has adapted to societal challenges to serve evolving public needs. As part of its national security duties, it serves as an integral part of the federal emergency response structure through its formal role in the National Response Framework (NRF).[10] During the COVID-19 pandemic, postal employees were considered essential workers. The Postal Service has delivered 900 million free COVID-19 test kits to American households since 2021.

Laws and Regulations Generally Define the Basic Requirements of the USO

In most countries, postal laws and regulations set the minimum service levels required of national posts for each attribute of the USO.[11] For instance, laws and regulations can stipulate definitions of service standards for letter mail, a minimum number of delivery days per week, or a minimum number of postal customer access points. The legal status of the post (government-owned vs. private entity) does not affect the scope of or how USO provisions apply. In this section, we illustrate the diversity of governments' approaches to the definition of USO requirements.

A main difference between the Postal Service and most other posts in our sample is that, with the exception of the six-day delivery mandate, the Postal Service's USO is largely defined in broad qualitative terms (see Figure 2). This gives the Postal Service leeway to adjust key USO parameters to balance high-quality public service and financial sustainability — subject to review by its regulator, the Postal Regulatory Commission (PRC). In practice, the Postal Service and India Post are two of the few posts in our sample for which the government or regulator does not legally mandate a service performance standard for any class of letter mail or impose specific rules on the size of their retail network. However, while the Postal Service has legal flexibility in adjusting most aspects of its USO, it still needs to carefully consider factors such as ready access to postal services and the potential impact on local communities.

Whereas the Postal Service's relative flexibility is derived from the statutory requirement to balance its service obligations against financial sustainability, many other posts have little flexibility to set USO levels. As a result, they are commonly calling on governments to ease requirements regarding the size of their retail networks, delivery frequency, or service standards.

7 Groupe La Poste's banking accessibility mandate involves the provision of free savings accounts, withdrawals, and deposits from 1.5 Euros to every individual in order to promote financial inclusion.

8 What the French government calls "regional planning and local and regional development mission" is designed to ensure high-density postal coverage, in particular for rural areas. As per its legal obligations, "97% of the population live less than 5 kilometers or 20 min from a La Poste outlet." La Poste, "Regional Planning," https://www.lapostegroupe.com/en/contributing-to-regional-planning.

9 While not statutorily mandated, the Postal Service is authorized to provide services to other government entities when the Postal Service and the other agency involved agree on the service to be rendered.

10 The NRF establishes the nation's strategy for organizing responses to disasters and emergencies like hurricanes, earthquakes, bioterrorist attacks, pandemics, and other incidents. See: USPS OIG, "The U.S. Postal Service and Emergency Response: A History of Delivering for the American Public, "Report No. RISC-WP-20-006, September 10, 2020, https://www.uspsoig.gov/reports/white-papers/us-postal-service-and-emergency-response-history-delivering-american-public.

11 USPS OIG, "Variations and Trends in Postal Regulatory Oversight," Report No. RISC-WP-24-003, March 5, 2024, https://www.uspsoig.gov/reports/white-papers/variations-and-trends-postal-regulatory-oversight

Figure 2: A Comparison of USO Parameters

Category	USPS	Most Other Countries
Price Setting Flexibility	Prices for mail and parcels are subject to prior review and approval by the PRC, with price caps on mail linked to inflation.	Prices are often subject to government oversight; most require regulator approval for letter prices, with mechanisms ranging from price caps to minimal oversight.
Retail Flexibility	Laws prevent closure of small post offices for only financial reasons but does not mandate a number of outlets.	Mandate a minimum number or density criteria for outlets.
Delivery Days	Six-day delivery is mandated in the Postal Service Reform Act.	Mandate at least five days per week. Some allow reduced delivery frequency (e.g., alternate-day delivery in Australia) nationwide or only in rural or remote areas, based on population density.
Service Standards	No government-mandated standards; USPS consults with the PRC, but advisory opinions are non-binding.	Many governments set specific service standards for USO products.

Source : OIG Analysis.

USO Letters Are Generally Subject to More Stringent Price Oversight than Parcels

In most countries, the prices of postal products included in the USO are subject to some form of government oversight to ensure, for example, that letter mail prices are affordable and geographically uniform. In our international sample, price oversight ranged from “price set by the government” to “no regulatory oversight.”

Focusing on single-piece USO letters and parcels, we found that in about two-thirds of countries in our sample, the regulator reviews letter prices before implementation (see Figure 3). Ten of these countries apply a price cap, meaning price increases cannot exceed a level correlated with inflation rates (sometimes combined with other factors). The United States belongs to that category. The U.S. price cap covers a very large share — about 94 percent in FY 2023— of the total Postal Service’s volume because it applies to all Market Dominant mail classes — basically, all letters and periodicals.[12] The percentage is much smaller in countries where it applies only to single-piece mail.[13]

Overall, price setting flexibility for parcels is greater than it is for letters. Only nine countries (including the U.S.) approve parcel prices before implementation (ex ante approval).[14] In Germany, beginning in 2025, retail parcels from households are subject to a stricter price oversight than before with a price cap now applied to retail parcels, simliar to that previously applied to single-piece letters. Fifteen countries have less constraining oversight mechanisms, with regulators either reviewing prices after implementation (ex post review) or not exerting any oversight over prices.[15]

12 The Postal Accountability and Enhancement Act (PAEA) stipulated that prices for Market Dominant mail classes could not rise faster than the rate of inflation, as measured by the Consumer Price Index for All Urban Consumers. After establishing additional price increase authorities in 2020, in 2024 the PRC initiated a new review of the Market Dominant price setting mechanisms.

13 For example, in Sweden, only stamped letter mail is covered by the price cap, which represents only 5 percent of PostNord Sweden’s total volume. For a discussion of the postal price cap in the U.S. and other countries, see: USPS OIG, “Examining Alternative Inflation Indices for Regulating Market Dominant Price Increases,” Report No. RISC-WP-24-011, November 6, 2023, https://www.uspsoig.gov/reports/white-papers/examining-alternative-inflation-indices-regulating-market-dominant-price.

14 Prices for parcels are often part of a broader “basket” of USO products including both letters and parcels. The cap applies to the basket, which leaves flexibility to posts to set the price of individual products within the limit set for the basket of products. In Europe, the parcel price cap usually applies only to retail prices.

15 An ex post review consists of ensuring that a post setting USO prices complied with basic requirements set in the law, such as geographical uniformity, cost-orientation (ensuring that prices did not undermine competition) or affordability.

Figure 3: Type of Price Oversight for USO Single-Piece Letters and Parcels

	Prices set by government	Approval by regulator before implementation (ex ante approval)		Review by regulator after implementation (ex post review)	No regulatory oversight
		With price cap	Without price cap		
Single Piece Letters	China Post India Post Posten Bring (Norway) (<50g)	bpost (Belgium) Correios do Brasil CTT Portugal Post DHL Group Group La Poste (France) Japan Post Group PostNL PostNord Sweden Royal Mail IDS United States Postal Service	Australia Post Canada Post Chunghwa Post (Taiwan) Korea Post Poczta Polska (Poland) Poste Italiane Russian Post Swiss Post (<750g)	An Post (Ireland) Austrian Post Correios (Spain) Posten Bring (Norway) (>50g) Posti (Finland) Swiss Post (<50g)	No post in our sample
Retail Parcels	China Post India Post	bpost (Belgium) CIT Portugal Post Groupe La Poste (France) PostNL Royal Mail IDS (>2kg) DHL Group	Poczta Polska (Poland) Poste Italiane United States Postal Service	An Post Austrian Post Correios (Spain) Posten Bring (Norway) Posti (Finland) PostNord (Sweden)	Australia Post Canada Post Chunghwa Post (Taiwan) Correios de Brasil Japan Post Group Korea Post Russian Post Swiss Post Vietnam Post

Posten Bring (Norway) and Swiss Post appear twice due to price oversight varying by weight category.
Source: OIG Analysis.

The Postal Service Has Greater Flexibility in Defining Post Office Network Size and Location

Posts have an obligation to provide customers with convenient access to the postal network, but national laws approach this obligation in different ways.

Size of the Network

Many governments prescribe a minimum number, or density, of postal outlets in the USO definition. For example, Australia's USO (called the Community Service Obligations) mandates a minimum of 4,000 retail outlets, of which 2,500 must be in rural areas. Canada includes a maximum distance criterion in its USO and has had in place a longstanding moratorium on the closure of rural post offices.[16] Italy — among other criteria — prescribes outlet density by setting the minimum percentage of the population residing within a given radius from the nearest post office. The Postal Service is less constrained than other posts in that the number or location of post offices is not prescribed in law. However, it must legally serve "rural areas, communities, and small towns where post offices are not self-sustaining" and cannot close small post offices "solely for operating at a deficit."[17] There are

16 In Canada, 98 percent of consumers must have a postal outlet within 15 km, 88 percent within 5 km, and 78 percent within 2.5 km. "Postal outlets" refer to physical locations where postal services are provided. These outlets can be operated by Canada Post or by third-party partners such as private businesses that offer postal services on behalf of the postal operator.
17 The PRC includes the net losses incurred by these smallest post offices in its estimate of the USO costs because it determined that USPS would not keep them absent that legal requirement.

also political considerations against closing post offices, as they often serve as vital community hubs and their closure can face public opposition and impact local constituents.

Outsourcing Retail Services

Many postal operators have adopted outsourcing as a means to manage retail services, aiming to reduce fixed costs, improve operational flexibility, and, in recent years, better meet evolving ecommerce customer needs. While the USO often imposes minimum requirements on the size of retail networks, it rarely specifies the types of outlets in those networks — for example, whether the post must operate them or whether it can outsource outlets to third-party retailers. Posts have outsourced retail services to different extents (Figure 4). In FY 2023, only eight percent of the Postal Service's retail network involved outsourced units such as Contract Postal Units (CPU) and Village Post Offices (VPO), making USPS one of the least-outsourced networks in our sample.[18]

In some countries in our sample, the outsourcing of retail services has existed for decades and involves entrusting third-party companies or individuals with the provision of postal services (such as licensees, agents, or franchisees). For example, postal outlets in in Australia, Ireland, and the U.K. are mostly operated by independent contractors.[19] PostNL and Deutsche Post outsourced all retail outlets over 10 years ago, and PostNL closed its last remaining post office in 2011.[20] In doing so, they shifted from incurring consistent, fixed expenses associated with ownership to a more flexible approach where costs vary based on actual service usage or demand.[21]

As foot traffic in post offices declines, some posts have sought additional flexibility to offer access points via lower-cost alternatives. Beginning in 2025, a new German postal law allows DHL to include standalone self-service parcel lockers and kiosks (called Poststations) in the 12,000 retail points it maintains throughout the country.[22]

Figure 4: Percentage of Postal Outlets Outsourced by the Post (FY 2023)

0-10%	10-30%	30-50%	50-70%	70-90%	90-100%
USPS	Japan Post Group	Korea Post	Swiss Post	Australia Post	Deutsche Post (DHL Group)
India Post		Correios do Brasil	Groupe La Poste	Austrian Post	PostNL
China Post Group		Canada Post	bpost (Belgium)	CTT Portugal Post	Posten Bring (Norway)
Correos (Spain)		Chunghwa Post (Taiwan)			Posti (Finland)
Poste Italiane		Poczta Polska (Poland)			Post Office Ltd (UK)
					An Post (Ireland)
					PostNord (Sweden)
Vietnam, Russia: not available					

Source: OIG Analysis

18 CPUs and VPOs are suppliers (such as convenience store operators) that contractually provide postal services at their locations, for which nearby Postal Service staff provide oversight and support. For a discussion of these programs, see: USPS OIG, "Serving America: Contract Postal Unit and Village Post Office Operations," Report No. 22-201-R24, October 20, 2023, https://www.uspsoig.gov/reports/audit-reports/serving-america-contract-postal-unit-and-village-post-office-operations. white-papers/examining-alternative-inflation-indices-regulating-market-dominant-price.
19 The UK postal retail company referred to here is Post Office Ltd, which has been fully independent of UK postal operator Royal Mail since 2012.
20 Deutsche Post is the brand name used by DHL Group for its postal business operations in Germany. It represents the traditional postal services segment of the larger DHL Group, which operates globally.
21 Third-party retailers may receive a per-transaction fee, purchase products from the post at a discount, receive a percentage on the sale of postal products, or receive a guaranteed minimum annual revenue from the post.
22 Poststations are "all in one" standalone parcel lockers that also integrate a letter postbox and a self-service kiosk.

Most Countries Mandate Less than Six Delivery Days

The USO typically specifies a minimum number of delivery days per week. As the number of mailpieces per delivery point declines, the cost of more frequent deliveries is supported by fewer and fewer mailpieces. Absent the USO, posts may decide to deliver letters less frequently — especially if they do not deliver letters together with parcels. For some posts, the mandated frequency of delivery is an operational and financial restraint.

A majority of our sampled countries mandate at least five delivery days a week for letters. Only four countries, including the United States, have a six-day mandate (Figure 5). The U.S. permanently codified six-day delivery only recently in the Postal Service Reform Act of 2022 (PSRA). In the past 10 years, several countries in our comparison have allowed the post to cut the number of delivery days to reduce the cost of the USO. A recent example is Australia, which moved to alternate-day delivery (mail delivered every second day) in 2024.[23] In December 2024, the Norwegian government went one step further by proposing to eliminate, for the most part, the home delivery of mail. In the future, recipients would have to pick up their mailpieces from third-party pickup points, such as grocery shops. Alternatively, they would have to file a request for a once-a-week home delivery.

In several countries, the USO also recognizes the higher costs of delivery in remote or rural areas. For example, China's 2009 postal law requires six days per week in urban areas and five in small towns outside urban areas, while allowing ad hoc decisions on delivery frequency in remote areas.

Figure 5: Countries with Government-Mandated Letter Delivery Days

6-day	5-day	Other arrangements
France	Austria	*Alternate-day delivery or 3 days a week:*
Germany	Belgium	Australia
United Kingdom	Canada	Finland
United States	Ireland	Norway
	Japan	Sweden
	Netherlands	*Fewer deliveries in some regions, such as smaller cities or rural areas:*
	Poland	Brazil
	Portugal	China
	Russia	Italy
	Spain	
	Switzerland	
	Taiwan	
	Vietnam	

*Information not available: South Korea; India: no criteria set in postal law.
Source: OIG Analysis.

The mandated minimum delivery days for USO parcels varies, with half (13) of the sampled countries requiring five-day delivery, and only four countries, including the United States, have a six-day mandate.[24] In the other countries, including the four where parcels are not covered by the USO, government does not prescribe the minimum number of delivery days.

Service Standards Are Not Mandated in the United States

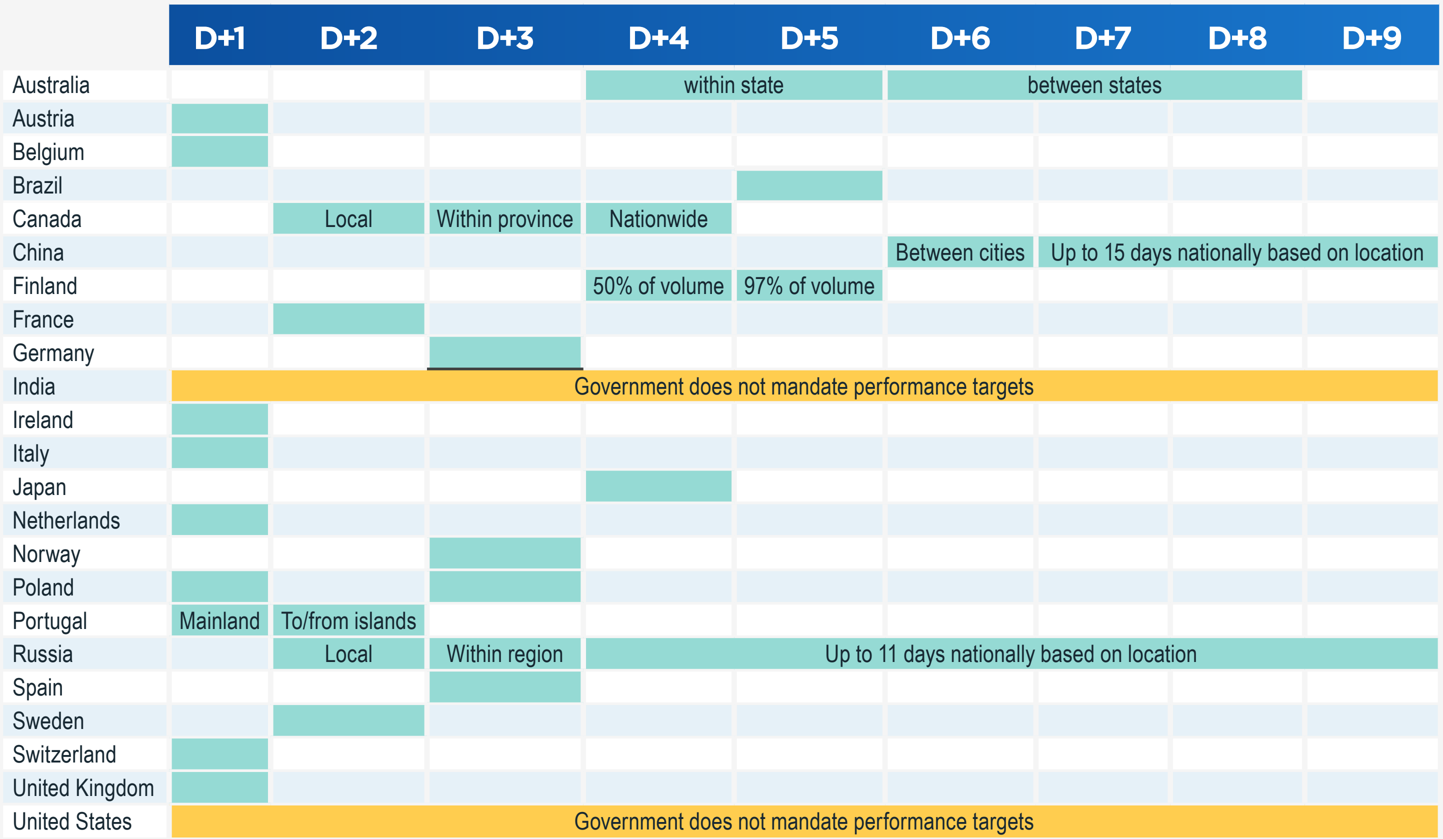
To reduce the cost of providing the USO, some posts in our sample have sought changes to their service standards from governments and/or regulators (see Figure 6). For example, in 2023, the French regulator approved the elimination of traditional (overnight) first-class mail and reduced service standards for the slower second-class mail from two days to three days.[25] Similarly, the 2024 German postal law decreased the service performance target for letters from two days to three days.[26] In the United States, neither Congress nor the PRC sets these targets. The Postal Service can establish its service

23 In the UK, the regulator of Royal Mail (Ofcom) has proposed a move to alternate weekday deliveries for non-priority mail in 2025.
24 In addition, China's parcel USO varies from three days to at least six days a week depending on the area.
25 First-class mail now exists only as a niche hybrid "e-letter" product, requiring the user to first send the letter electronically via its website to La Poste for printing and delivery. In France, second-class (or non-priority) letter mail is separate from — and faster than — marketing mail.
26 For earlier examples of governments or regulators easing letter mail delivery days or service performance standards, see: USPS OIG, "Reevaluating the Universal Service Obligation," Report No. RISC-WP-20-004, May 6, 2020, https://www.uspsoig.gov/reports/white-papers/reevaluating-universal-service-obligation, pp.8-10.

standards, balanced against its responsibility to be financially sustainable. It must ask the PRC for an advisory opinion on planned changes to most service standards — although it is not required to follow the PRC's advisory opinion.[27]

The regulators in our international sample vary in their ability to enforce corrective actions and levy fines if a post fails to comply with a regulation, particularly regarding service standards. For example, the regulator in the United Kingdom, Ofcom, has fined Royal Mail in 2023 and 2024 for failing to meet its First and Second Class letters service standards.[28] In the United States, the PRC has relatively limited enforcement powers and has not fined USPS.[29]

Figure 6: Service Standards for the Fastest USO Letter Product Mandated by Governments in OIG Sample — Number of Delivery Days from Posting to Delivery



Notes:

1. Data shown are for the fastest universal service letter mail product for which government sets service targets; for posts the have both priority and non-priority mail classes this product is usually priority mail.
2. Many governments set two targets corresponding to percentages of mail volume to be delivered within two timeframes (for example: 85 percent in three days, 97 percent in four days). For simplicity's sake the table (except for Finland) shows only the first figure (shortest timeframe).
3. Information not available for South Korea, Taiwan, and Vietnam.

Source: OIG analysis.

27 See 39 U.S.C. 3661. For example, in October 2024 the Postal Service filed a request for an advisory opinion from the Postal Regulatory Commission on a plan to create a nationwide network of Regional Processing and Distribution Centers (RPDCs) and Local Processing Centers (LPCs) as well as discontinue end-of-day collections at thousands of post offices, which will add a day to delivery times for outgoing mail from these offices as part of USPS's Regional Transportation Optimization (RTO) initiative.

28 OFCOM, "Ofcom fines Royal Mail £10.5m for poor delivery performance," press release, December 13, 2024, https://www.ofcom.org.uk/post/royal-mail/ofcom-fines-royal-mail-10.5m-for-poor-delivery-performance.

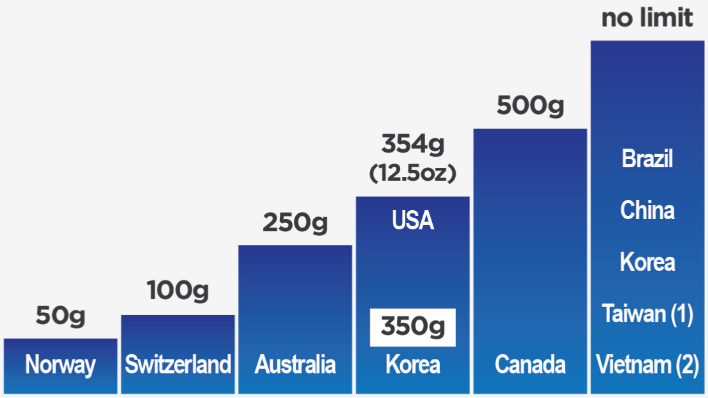
29 The PRC can subpoena USPS employees and contractors, take remedial actions, and levy fines for "deliberate noncompliance' of applicable postal laws. For more details, see USPS OIG "Variations and Trends in Postal Regulatory Oversight," RISC-WP-24-003, March 4, 2023, https://www.uspsoig.gov/reports/white-papers/variations-and-trends-postal-regulatory-oversight, pp. 15-16.

The Declining Value of the Monopoly No Longer Covers USO Costs

Until the end of the 1990s and the beginning of the 2000s, when significant postal reforms abolishing postal monopolies were implemented in many countries, most posts in our sample held the exclusive right to deliver mail and deposit it into mailboxes. In the countries in our sample that still have a monopoly in place, that value has generally declined; in some of them, governments use direct funding as an alternative way to keep the USO financially sustainable. In the U.S., government appropriations cover one-tenth of one percent of the Postal Service's overall revenue even though its USO net costs exceed the value of the mailbox and delivery monopolies.

The Postal Service and nine other posts in our sample still hold a legal monopoly on some, or all, of their domestic letter mail (Figure 7).[30] None are in the European Union, since European legislation began eliminating mail monopolies in 1997 and completed the process by 2013.[31]

Figure 7: Upper Weight Limit of Remaining Letter Mail Monopolies in Sample Countries



(1) Single piece and government mail only
(2) Stamped letters only

Source: OIG Analysis

Monopolies generally provided a financial advantage to posts to help them fund the USO.[32] However, as volume declined, this advantage eroded. As Swiss Post stated, "the monopoly is steadily losing value, because the volume of transported letters is shrinking year after year." Similarly, in the United States, annual PRC calculations show the costs of the USO exceeded its value by $2.4 billion in FY 2023.[33]

Further, the abolition of the letter monopoly did not significantly harm posts financially. Most postal operators did not lose significant market share because competition never emerged (as in Japan), or because posts regained dominance after competitors exited the market (as in the Netherlands and Italy). In 2023, India's postal law eliminated a letter monopoly for India Post that, in practice, had never been enforced.

As a result of these trends, the letter monopoly has become a relatively minor element of international USO financial sustainability models.[34] However, according to the Postal Service, the letter monopoly remains one of the limited tools still available to help fund its infrastructure to fulfill the USO.

Government Funding Helps Finance Universal Service or Other Public Service Missions

A number of posts provide the universal service at a loss.[35] As a result, governments have considered reducing the USO, providing funds to support the USO, or both. European Union legislation — in particular, the 2008 Postal Directive — allows governments to reimburse posts for the net cost of the USO if it represents "an unfair financial burden," and also allows governments to provide assistance in covering the cost of other public service missions.

30 The Postal Service has a congressionally mandated letter mail delivery monopoly — the exclusive right to deliver non-expedited, addressed letter mail under 12.5 ounces and catalogs under 24 pages. USPS also has a mailbox monopoly — only the Postal Service can deposit any item into delivery mailboxes.
31 However, some postal products were never in the scope of foreign posts' letter mail monopoly in the first place. One example is unaddressed advertising mail. Its closest US equivalent, Every Door Direct Mail (EDDM), is in the scope of the U.S.'s monopoly.
32 The Postal Service has stated that the mailbox monopoly provides mail security as well as the efficiency of delivery, both of which facilitate the fulfillment of the USO.
33 From the Postal Service's perspective, the PRC's evaluation of the cost of providing public services or activities should be expanded to include the broader range of "mandates that Congress or the President has imposed upon the Postal Service, to the extent that the Postal Service might not otherwise perform the mandated services or activities, or might perform the mandated services or activities in a different way." See USPS OIG, "Business or Public Service? Insights into the Unique Laws and Regulations Applying to the Postal Service," pp.6-7.
34 The Postal Service has stated that, although competition did not develop in other countries that eliminated the letter monopoly, the characteristics of the U.S. marketplace, such as the volume of mail processed in the country and the already-established, well-developed mail services industry that could develop into potential competitors for mailpieces, do not guarantee that the U.S. would experience a similar phenomenon should the letter monopoly be abolished.
35 Not all posts or postal regulators in our sample of countries publish detailed information on the net costs of their universal service obligations. Posts that do not receive government funding may still operate their USO at a loss. For example, in the UK, Royal Mail IDS argues that its USO was "financially sustainable" only two years over the 2013-2024 period. Royal Mail, "Regulatory Financial Statements 2023-24," https://www.internationaldistributionservices.com/media/12402/regulatory-financial-statements-2023-24.pdf, p.8.

As Figure 8 shows, governments in nine sampled countries provide some funding for the net cost of the USO. The availability of government funding is not directly tied to the legal status of the post. For example, both Belgium's bpost and Poste Italiane are privatized but continue to receive funding to sustain their USO. In countries such as Belgium or France, the government also covers the cost of additional public service missions. Some countries, such as Vietnam and Denmark, have stopped providing funding to their posts. Although not part of our sample, Denmark made a landmark decision to eliminate the USO, therefore eliminating the rationale for related funding entrusted to PostNord at the beginning of 2024.

Figure 8: Government Funding of the USO or Other Public Service Missions

Currently Receives Government Funding for All Operations	Currently Receives Government Funding for USO or Other Public Service Missions		Does Not Receive Government Funding	
India	*Europe:*	*Outside Europe:*	*Europe:*	*Outside Europe:*
	Belgium	China	Austria	Australia
	France		Finland	Brazil
	Ireland		Germany	Canada
	Italy		Netherlands	Japan
	Norway		Portugal	Korea
	Poland		Russia	Vietnam
	Spain		Sweden	
	UK (Post Office Ltd)		Switzerland	
			UK (Royal Mail)	
	United States: Limited appropriated funds cover the cost of free postage for blind and disabled persons, overseas voting, and service in the Pacific island countries. USPS has also received funding to modernize its fleet with electric vehicles and to support operations during the COVID-19 pandemic.			

Source: OIG Analysis.

In Europe, funding for the USO mostly comes from budget appropriations. The governments of Italy and Poland, among others, also experimented with compensation funds (another funding mechanism) before abandoning them, in part due to the limited amount of funding they provided. A compensation fund is financed by mandatory contributions from all postal providers in a country, usually including the post and competitors.[36] While it does not directly provide subsidies, the Indian government's budget de facto covers two-thirds of India Post's expenditure.

The U.S. Postal Service sits at the other end of the spectrum. Government appropriations to USPS cover a very tiny part of its public service missions, amounting to about 0.1 percent of its $80 billion annual revenue. For the most part, these appropriations aim to reimburse the USPS for the cost of free postage for overseas voting and for people who are blind or disabled.[37] They also provide reimbursement for services to three small

In nine foreign countries in our sample, government financially supports the provision of the postal USO and other public missions.

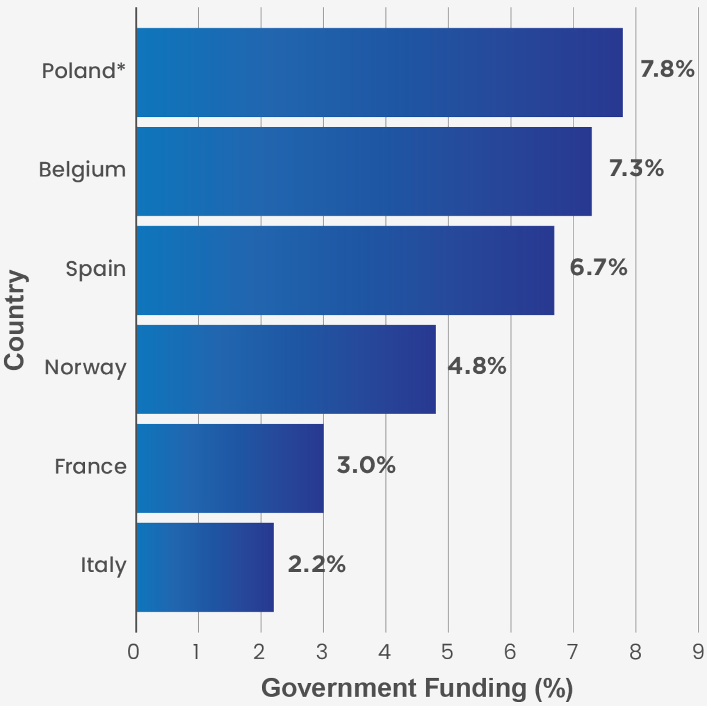
36 Participating companies are required to pay around 2 to 3 percent of their annual revenue into the fund, which is used to support the overall costs of the post's USO. Today, in Europe, Estonia, Slovakia, and Türkiye have working compensation funds. For an analysis of funding systems, see: Leszek Borowiec, "Direct subsidies and compensation funds in financing of universal postal services," Entrepreneurship and Sustainability Issues, VsI Entrepreneurship and Sustainability Center, March 2021, https://jssidoi.org/jesi/uploads/articles/31/Borowiec_Direct_subsidies_and_compensation_funds_in_financing_of_universal_postal_services.pdf.

37 For FY2025, the Office of Management and Budget (OMB) recommended that the Postal Service receive $42 million for the cost of free mail for the blind and overseas voting. The OMB also recommended that the Postal Service receive $365 million to cover losses incurred from insufficient appropriations received from FY1991 to FY1998. No appropriation for FY2025 has been enacted at the time of writing.

countries (Marshall Islands, Palau, and the Federated States of Micronesia) served by USPS as part of an assistance commitment by the United States.

In 2021, the Coronavirus Aid, Relief, and Economic Security (CARES) Act provided a one-time $10 billion reimbursement to the Postal Service for pandemic-related operating expenses.[38] Additionally, in 2022, the Inflation Reduction Act allocated $3 billion to fund the acquisition of electric vehicles and the development of necessary charging infrastructure. The Postal Service Reform Act (PSRA) of 2022 also eliminated the requirement to prefund employee retirement and health benefits, resulting in a forgiveness of $59.6 billion in missed payments.

Figure 9: Government Funding Received by the Post as Percentage of its Total Revenue (CY 2023)



Includes only funding provided to cover the cost of the USO and any other public service missions. Ireland, the U.K., and China are not included.
*Percentage based on available data from CY 2022.
Source: OIG Analysis

Finally, USPS could legally seek up to $460 million a year in Congressional appropriations to offset the costs "of providing a maximum degree of effective and regular postal service nationwide, in communities where post offices may not be deemed self-sustaining"[39]

In contrast, the funding received by posts in our sample represented from two to eight percent of their total revenue, depending on their USO net cost and level of non-postal diversification (see Figure 9).[40] Appropriations, therefore, can be a major contributor to letter mail financial sustainability.

Business and Commercial Freedoms

While the USO applies to national postal operators regardless of their legal status, that status — including whether they operate as state-owned enterprises (SOEs) or private corporations — may impact other aspects of their business. Posts with the status of private corporations generally benefit from greater business and commercial freedom than state-owned enterprises. Moreover, the Postal Service is more constrained than other state-owned enterprises in some areas. This section describes posts' current ownership status and discusses their ability to diversify, borrow funds, manage pensions, and control labor costs.

Legal Status Impacts Posts' Business Flexibility

Most posts can be categorized as either private corporations or SOEs. Private corporations are operators organized under private corporation laws, while state-owned enterprises typically operate under a mix of private corporation laws and laws specific to SOEs or to the post.[41] Specific SOE laws may grant certain privileges such as monopolies, special exemptions, or legal and financial protections. Additionally, they may limit a post's business freedoms beyond what private law generally requires,

38 In addition, since 2021 the Postal Service has implemented several rounds of distribution of free at-home COVID-19 test kits to American households — the most recent round began in October 2024. As part of an inter-agency agreement, the Postal Service is reimbursed by the Department of Health & Human Services for the costs incurred in the fulfillment and delivery of the test kits. USPS OIG, *COVID-19 Test Kit Distribution*, Report Number 22-076-R22, September 28, 2022, https://www.uspsoig.gov/reports/audit-reports/covid-19-test-kit-distribution.

39 See 39 USC § 2401 (b) (1). The amount of $460 million is lower than the cost of maintaining the smallest post offices, which, according to the PRC was $700 million in FY 2022.

40 For Ireland, 2023-2025 government funds of approximately $10 million annually are available to postmasters but not to An Post. In the U.K., the postal retail company, Post Office Ltd., receives government funding (about $172 million in 2022) to keep open and modernize post offices that are not commercially viable. The designated postal operator, Royal Mail, does not. China was not included due to the availability of data.

41 There are several, slightly different, definitions of SOEs. For a comparison, see: World Bank Group, "Corporate Governance of State-Owned Enterprises – A Toolkit," 2014, https://documents1.worldbank.org/curated/en/228331468169750340/pdf/Corporate-governance-of-state-owned-enterprises-a-toolkit.pdf, pp.26-69.

such as curbing its ability to invest and borrow funds (see section below).[42]

As seen in Figure 10, the countries in our sample represent a range of possibilities regarding the relative degree of government control and privatization of posts.[43] Within our sample of posts, 15 have the status of a private corporation and ten are state-owned enterprises. India Post is the only one in our sample not fitting either category; it is instead a government department. This paper considers the U.S. Postal Service, an independent establishment within the federal government, a state-owned enterprise for the purposes of our comparison.

Figure 10: Legal Status and Degree of Privatization in Our Sample of Posts

Government Department	State-Owned Enterprises	Private Corporation Status – Not Privatized	Private Corporation Status – Partly or Fully Privatized Year represents first year of privatization Percentages of government ownership in 2024		
			Majority Owned by Government	Minority Owned by Government	Fully Privatized
India Post	Australia Post	An Post (Ireland)	Austrian Post (52.9%) 2006	DHL Group (17.0%) 2000	PostNL 1994
	Canada Post	Correos (Spain)	bpost (Belgium) (51.0%) 2006	Japan Post Group (36.0%) 2007	CTT Portugal Post 2013
	China Post	Groupe La Poste (France)	Poste Italiane (64.3%) 2015		Royal Mail 2013
	Chunghwa Post (Taiwan)	Poczta Polska (Poland)			
	Correios Brasil	Posten Bring (Norway)			
	Korea Post	Posti (Finland)			
	Russian Post	PostNord (Sweden)			
	Swiss Post				
	US Postal Service				
	Vietnam Post				

Source: OIG Analysis.

For a state-owned post, the national government usually plays a strong role in defining its goals and strategy. This is the case in Canada, Switzerland, and Australia, among other countries. For example, the Australian government regularly updates a Statement of Expectations the post must consider when preparing its corporate strategy.[44] In contrast, the Postal Service's strategy, most recently reflected in its Delivering for America 2.0 – Fulfilling the Promise (DFA 2.0) plan, does not require approval by the federal government, but instead, requires approval by the Presidentially-appointed, Senate-confirmed governors serving on its board. (USPS, however, is still

42 The Postal Service benefits from "implicit subsidies" including tax and fee exemptions. In 2022, the Postal Regulatory Commission estimated their value to range from $39 million to $74 million annually. See USPS OIG, "Business or Public Service? Insights into the Unique Laws and Regulations Applying to the Postal Service," pp. 18-19.
43 Outside of our sample, four posts are fully privatized: Libanpost (in 1998), Pos Malaysia (2001), Maltapost (2002), and recently Israel Post (2024). Additionally, the government of Singapore holds a 22 percent indirect ownership in Singapore Post (partly privatized in 2003).
44 Michelle Rowland MP, Minister of Communications, "Revised Statement of Expectations for Australia Post," August 2024, https://minister.infrastructure.gov.au/rowland/media-release/revised-statement-expectations-australia-post. See also: Swiss Post, "Federal Council adopts strategic goals for Swiss Post," January 29, 2025, https://www.post.ch/en/about-us/media/press-releases/2025/federal-council-adopts-strategic-goals-for-swiss-post.

subject to oversight by multiple federal agencies, including the PRC and OIG.)[45]

Although private corporations operate more like a traditional business, their status does not usually mean that a post's capital has been sold to external shareholders. In most cases, the government still owns at least a portion of the post. There are seven posts in our sample that are legally corporatized but are, in fact, entirely owned by the government. In addition, five posts are partially owned by the government and only three have no government ownership at all. Among the corporatized posts that are still partially owned by government, Belgium's bpost, Groupe La Poste, and Poste Italiane have "management contracts" with governments. These multi-year agreements, which result from negotiations between the post and government, specify the service standards to be achieved for each public service mission and the agreed-upon level of funding for each of them.

Within our sample, countries that allowed at least partial private ownership of their posts did so between 1994 and 2013. Israel (which is not in our sample) is the only country in the world that has privatized its post since 2013; it did so in 2024. Privatization may involve years of costly preparation, modernization, and restructuring, and the success of such an initiative is not guaranteed. For example, Argentina initially privatized its post in 1997 but eventually re-nationalized it in 2004 after it filed for bankruptcy.

There are seven posts in our sample that are legally corporatized but are, in fact, entirely owned by the government.

The Postal Service Faces Restrictions in Diversifying Services

Over the last few decades, many foreign postal operators have responded to declining mail volumes and revenue by diversifying revenue sources. Offering a range of products and services, such as those in the logistics and financial sectors, has helped them increase profitability and extract additional value from existing assets such as real estate (Box 2). Diversification does not correlate to legal status, as both privatized posts and SOEs make up some of the least and most diversified posts in the sample.

Box 2: Examples of Diversification through Leveraging Existing Assets: Real Estate

SOME POSTS HAVE ESTABLISHED REAL ESTATE ARMS TO MAXIMIZE THE VALUE OF THEIR PROPERTIES, OFTEN RENOVATING, LEASING, OR SELLING SURPLUS ASSETS. THEY ARE ALSO USING THEIR EXPERTISE TO EXPAND IN OTHER AREAS OF THE REAL ESTATE BUSINESS.

LA POSTE IMMOBILIER

Founded in 2005, La Poste Immobilier manages a portfolio of over 9,000 (mostly post-owned) buildings in France, reporting revenue of over $900 million in 2023. It is diversifiying into management of co-working spaces.

DHL REAL ESTATE SOLUTIONS

DHL's Supply Chain division has a unit that helps customers (logistics companies) plan, design, and build new factories, such as warehouses, primarily in Germany and the United Kingdom. Income generated from sales and leasing came to over $50 million in calendar year 2023.

JP ESTATE 日本郵政不動産

Japan Post Real Estate was established in 2018 and has generated nearly $64 million in revenue from March 2023 to March 2024. It plans to increasingly acquire buildings.

Source: OIG Analysis.

45 The Board includes the Postmaster General, the Deputy Postmaster General, and up to nine external governors who are Senate-confirmed political appointees legally mandated to represent the public interest.

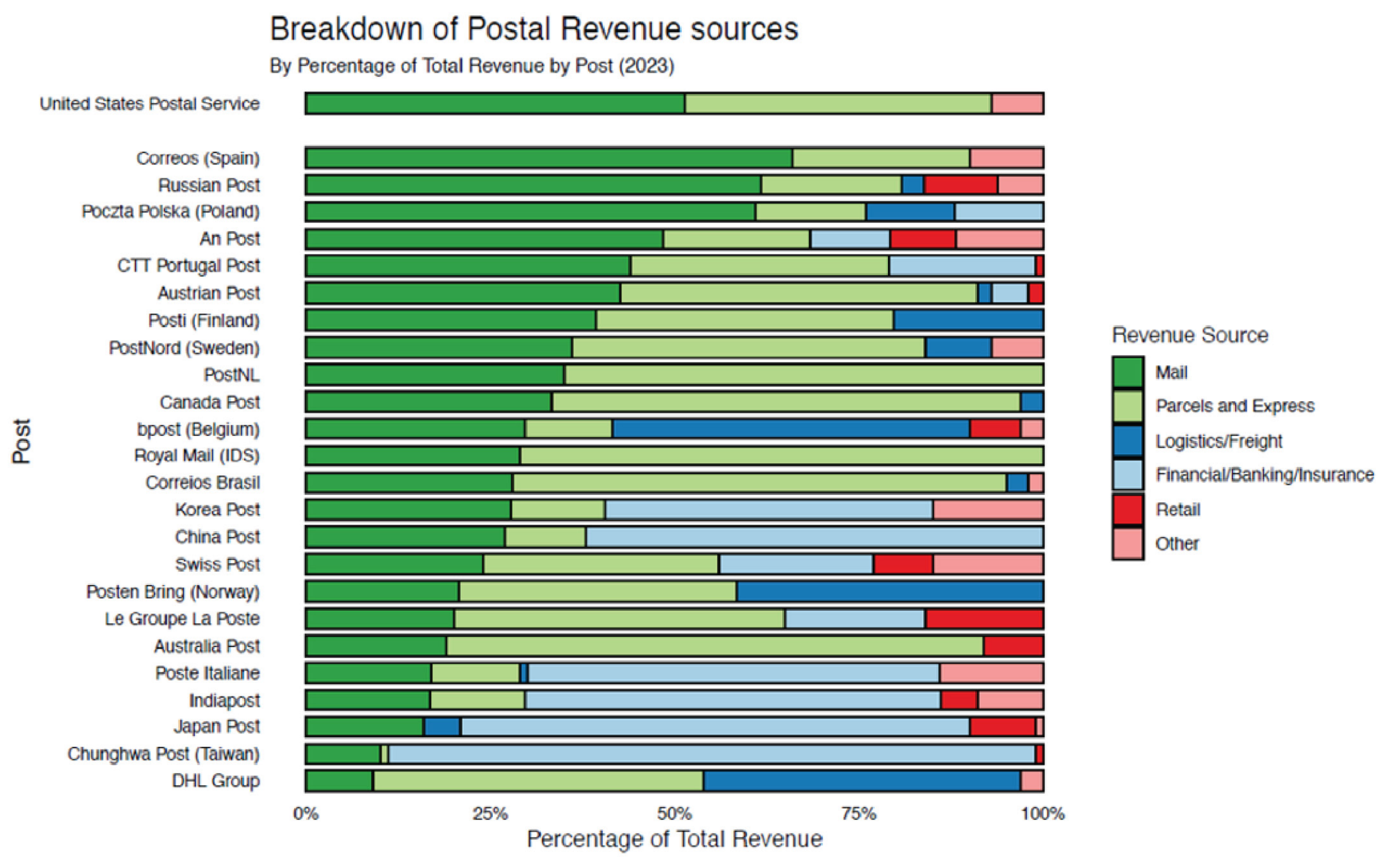
The Postal Service operates under a model largely restricted to postal products and services, positioning it among the least diversified operators globally, with approximately 94 percent of its FY 2023 revenue coming from mail and parcels.[46] (See Figure 11.)

The Postal Service, along with roughly half of the postal operators in our sample, derives two-thirds or more of its revenue from mail and parcels (including express). The only operators with a higher percentage of revenue from postal products and services are the privately owned operators PostNL (100 percent) and Royal Mail IDS (100 percent), as well as the SOEs of Canada Post (96 percent) and Correios do Brasil (95 percent). However, PostNL, Royal Mail IDS, and Canada Post are not legislatively limited in the degree to which they may diversify — unlike the Postal Service, which is largely limited to postal and government services.

The other half of the sample is more diversified and includes the world's highest revenue-generating posts: DHL Group (54 percent of revenue from mail, parcels, and express) is a top global freight and logistics company, while China Post Group and Japan Post Group own two of the 25 largest banks in the world. China Post Group's majority ownership in the Postal Savings Bank of China — the world's 11th largest bank — contributed to revenue that was 40 percent higher than USPS's in 2023.

Figure 11: Breakdown of Postal Revenue Sources by Country (2023)

LIKE THE POSTAL SERVICE, ABOUT HALF OF THE POSTS IN OUR SAMPLE OBTAIN TWO-THIRDS OR MORE OF THEIR REVENUE FROM MAIL AND PARCELS.



Note: Due to data limitations, Vietnam is excluded from this figure.
Source: OIG analysis of annual reports.

46 The Postal Accountability Enhancement Act of 2006 (PAEA) limited the scope of the Postal Service's offerings to postal services (including functions ancillary thereto) as well as a limited set of grandfathered nonpostal services such as money orders, passport services, photocopying, notary services, and services to Federal executive agencies. The Postal Service Reform Act of 2022 (PSRA) extended the scope of admissible non-postal services to those provided to the public on behalf of any state, local, or tribal governments, to the extent some conditions are met. See: USPS OIG, "Primer on Postal Reform," Report No. RISC-WP-23-002, December 20, 2022, https://www.uspsoig.gov/reports/white-papers/primer-on-postal-reform.

The Postal Service's Debt Cap Represents a Significant Business Constraint

All companies — including posts with private status — looking to raise money and issue debt must comply with their country's applicable legislation, including fundraising and securities laws. However, posts that function as state-owned enterprises may face more severe legal restrictions. For example, several countries, including the United States, subject their state-owned enterprise posts to debt limits, including:

- **United States:** Postal law limits the Postal Service's total debt to no more than $15 billion and restricts the agency from increasing its debt by more than $3 billion during any fiscal year.[47] The $15 billion cap is equivalent to 33 percent of the Postal Service's assets, as reported in its FY 2023 annual report. As of the end of FY 2024, the Postal Service had utilized all of its allowed borrowing authority. This debt cap has been unchanged since 1992, with no provision in the law to increase borrowing limits in response to inflation. In the Delivering for America 2.0 plan, published in 2024, USPS advocated for raising the cap to help finance its modernization efforts and bring about greater alignment with the credit and capital market flexibility that private sector companies enjoy.
- **Canada:** Canadian law limits Canada Post's external debt to a maximum of 2.5 billion Canadian dollars ($1.8 billion US), with borrowings subject to approval from the Minister of Finance. This cap is equivalent to about 85 percent of Canada Post's assets, according to its 2023 annual report, and has been unchanged since 2009. As in the U.S., there is no provision to raise the cap in response to inflation. As of the end of 2023, Canada Post used 40 percent of its borrowing authority, holding about $998 million in debt. The federal government will provide up to $1 billion in repayable funding for the 2025-26 fiscal year to help address its financial challenges.
- **Switzerland:** Swiss Post also has a borrowing cap, but it is not pegged at a fixed amount. Instead, it reflects a strategic focus on ensuring liquidity. The government mandates that Swiss Post's total debt must not exceed its EBITDA.[48] This essentially means that the post can only hold a debt amount that can be fully paid off with its earnings over the course of the year. In its 2023 annual report, Swiss Post reported net debt of 63 million Swiss francs (around $70 million), equivalent to 62 percent of its total assets.

A comparison of capital expenditure (CAPEX)/revenue ratios provides a measure of a post's annual amount of investment in relation to its size, as measured by its total revenue. Between 2020 and 2022, the posts in the OIG sample had an average CAPEX/revenue ratio of 4.6 percent, while the Postal Service's average ratio was 2.4 percent. The only posts with a lower ratio than USPS's were Japan Post Group (2.0 percent) and Correios do Brasil (1.8 percent).[49] In spite of the debt cap mentioned above, both Canada and Switzerland had higher-than-average CAPEX/revenue ratios (6.1 and 5.6 percent, respectively), which may indicate their cap was not very constraining. While it is difficult to determine the full impact of the USPS debt cap, the 3.7 percentage point difference between USPS's and Canada Post's average CAPEX/revenue ratios — two posts with many common characteristics — seems to support the idea that the Postal Service's debt cap represents a significant business constraint.

Over 2020 to 2022, Canada Post's capital expenditure to revenue ratio was twice as high as Postal Service's.

47 39 U.S. Code § 2005.
48 EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is a commonly-used indicator of a company's financial performance without considering taxes, loans, and capital expenses.
49 While we did not find a reference to a specific debt or investment cap applicable to Correios do Brasil, a possible explanation for this low level of investment is that the post, like other Brazilian state-owned companies, is bound to respect strict investment guidelines set annually in a law.

Foreign Posts Benefit from Greater Flexibility in Pension Management

Many of the foreign posts in our sample have national pension systems that function similar to Social Security in the United States.[50] Many foreign posts, including the Postal Service, also contribute to employment-based supplementary pension systems.[51] (See Figure 12.)

In addition to Social Security, the Postal Service is required to participate in supplemental federal programs related to employee retiree pension and health benefits:[52]

- **Pension plans:** The Civil Service Retirement System (CSRS) and the Federal Employee Retirement System (FERS) are federally defined benefit pension programs, which guarantee a percentage of salary based on service to retirees (assuming conditions are met). FERS employees can also participate in the Thrift Savings Plan (TSP), a voluntary defined contribution retirement savings and investment plan in which the Postal Service contributes a percentage of basic pay and matches a set limit for employee contributions.[53]
- **Health plans:** The Postal Service Retiree Health Benefit Fund (RHBF) covers the employer portion of health insurance premiums for Postal Service retirees, annuitants, and their eligible family members covered under the Postal Service Health Benefits (PSHB) program.[54]

Several foreign governments in our sample intervened in postal pension systems by assuming pension obligations to provide financial relief or decrease pension costs before privatizing their postal operators. A primary goal of these interventions was to clarify whether the government or the privatized postal entity would bear the pension obligations for postal employees who retained their civil service status after privatization. For example, in 1997, bpost transferred pension liabilities for all civil service employees to the Belgian government. Similarly, in 2000, Deutsche Post (now DHL Group) reached an agreement with the German government to share the cost of contributions to the pension plans of its civil servant employees. In the U.K., the government eliminated Royal Mail's large pension fund deficit prior to its post's privatization and, in 2012, transferred historical liabilities of about $12.5 billion from Royal Mail's pension program to a new plan administered by the government.[55]

Figure 12: Retiree Benefits at the Postal Service and Foreign Posts

	USPS	Foreign Posts
Retiree Pension Benefits	Social Security	National Pension Systems
	CSRS	Supplementary pension programs are generally managed by private pension funds, insurance companies, or a government or employer-established fund.
	FERS-Defined Benefit	
	FERS-TSP Defined Contributions	
Retiree Health Benefits	Medicare	Provided through national healthcare systems and/or private healthcare organizations
	RHBF-PSHB	

Source: OIG Analysis.

50 Although national pension systems vary significantly in terms of funding and benefits, retirees generally contribute through payroll taxes and receive compensation at a set retirement age.
51 Correos (Spain) is the only foreign post in our sample that does not make any contributions to pension plans.
52 USPS OIG, "Postal Retirement Funds in Perspective: Historical Evolution and Ongoing Challenges," Report No. RISC-WP-24-002, January 8, 2024, https://www.uspsoig.gov/reports/white-papers/postal-retirement-funds-perspective-historical-evolution-and-ongoing.
53 Whereas defined benefit programs guarantee a certain level of benefits for retirees, defined contribution plans do not: the ultimate benefit at retirement is undefined. The employer has no obligation regarding the value of contributed assets and the employee bears the investment risk.
54 The PSHB program is a new, separate program within the FEHB, which starts in 2025.
55 USPS OIG, "Mail Profitability in International Posts," Report No. RARC-WP-17-008, May 1, 2017, https://www.uspsoig.gov/reports/white-papers/mail-profitability-international-posts p.13.

Foreign posts in our sample that, like USPS, provide supplementary pension programs, while subject to national financial regulations, generally have more flexibility than the Postal Service in determining how to invest retiree assets and amend pension program rules. Their pension assets are most often managed by independent pension funds or insurance companies. While the governance of these funds varies, the posts and pension fund management entities can agree to change elements of the pension systems.

Investment of Retiree Assets

Many foreign posts in our sample with supplementary pension systems rely on diverse investment portfolios and advanced risk management processes to fund their pension plans. These strategies aim to optimize returns by taking advantage of opportunities in both domestic and international capital markets. OIG analysis conducted in 2019 found the diversification of retirement asset investments — in equities, bonds, or real estate — to be the common element across the pension plans of all 11 foreign posts studied.[56] These posts were subject to legal requirements that apply to other employers and pension funds in their respective countries — not to the post specifically. While they may limit the scope of investment strategies, these fiduciary requirements generally aim at reducing investment risk, for example by limiting exposure to certain categories of assets.

The Postal Service does not have this investment flexibility. Its retirement assets are held in the Civil Service Retirement and Disability Fund, the Retiree Health Benefit Fund, and managed by the U.S. Office of Personnel Management (OPM) and the Department of Treasury. By law, OPM and Treasury are restricted from diversifying the Postal Service's retiree assets, which are invested exclusively in U.S. Treasury securities. OIG's 2019 analysis showed that in the long term, Postal Service returns on retiree asset investments had been less volatile than other posts.

From 2004 through 2016 or 2017, the OIG found that Postal Service returns fluctuated between 2.9 and 6.1 percent, while Canada Post's returns fluctuated between – 19.3 percent and 16.9 percent annually.[57] Further, OIG analysis conducted in 2023 found that if a 60 percent stock and 40 percent bond investment had been implemented, the Postal Service would have had an estimated surplus of $797 billion rather than a deficit of $96 billion in FY 2022.[58] To reduce retirement-related expenses, the Postal Service is currently advocating for reforms that allow market-based investments of retiree funds.

Changes to Pension Funds' Basic Rules

The most common change to international posts' pension systems in our sample involved transitioning from defined benefit plans — broadly comparable to the Postal Service's CSRS or FERS — to defined contribution plans. With a defined benefit plan, if the present costs of providing future pension payments exceed the present value of the assets held by the plan, the plan goes unfunded, and the post may have to make "top-up" amortization payments. Canada Post, for example, is required to make yearly solvency payments to cover the deficit of its defined benefit pension fund over a five-year amortization period.[59]

To eliminate the financial risk of having to make amortization payments, several posts have shifted to less risky defined contribution plans, where the employee's retirement benefit is determined by contributions made and the performance of investments, with the employee assuming the investment risk. Currently, only 6 posts in our sample (other than the Postal Service) use a defined benefit plan as the main employment-based pension program for employees working in the country the post is based in. (See Figure 13.)

56 These 11 posts (Australia, Canada, Germany, France, Ireland, Italy, Japan, Netherlands, Sweden, Switzerland, UK) are all included in our sample. France, Germany, and Japan diversify their pension funds by investing in real estate.

57 USPS OIG, "Foreign Posts' Retirement Asset Investments", Report No. FT-WP-19-001, May 21, 2019, https://www.uspsoig.gov/reports/white-papers/foreign-posts-retirement-asset-investments.

58 Despite recent reform, retirement expenses have increased by 85 percent (FYs 2013-2023), resulting in an unfunded liability of $122 billion. USPS OIG, "Historical Analysis of USPS Retirement Fund Returns," Report No. RISC-WP-23-005, April 26, 2023, https://www.uspsoig.gov/reports/white-papers/historical-analysis-usps-retirement-fund-returns.

59 However, in December 2021, the Government of Canada introduced temporary solvency funding relief for Canada Post until December 31, 2024, temporarily relaxing this requirement.

Figure 13: Primary Pension Types Managed by Posts

Defined Benefits (DB)	Defined Contribution (DC)	
An Post (Ireland)	Le Groupe La Poste	*Shifted from DB*
Bpost (Belgium)	Austrian Post	Australia Post (2012)
Japan Post	Poste Italiane DHL (Germany)	Post NL (2022)
Correos (Spain)	Swiss Post	Correios Brasil (2024)
Canada Post	PostNord (Sweden)	Royal Mail (2012)
Posti (Finland)	Posten Bring (Norway)	
U.S. Postal Service		

Source: OIG Analysis

In the United States, the 2006 passage of the Postal Accountability and Enhancement Act required the Postal Service to prepay retiree health benefits. The Postal Service Reform Act abolished this obligation in 2022. This resulted in the removal of more than $57 billion in unfunded liabilities from USPS's annual balance sheet.[60] However, the Postal Service is still responsible for a disproportionate share of CSRS benefits attributable to pay increases after its establishment in 1971, even for service rendered under the Post Office Department.[61] The Postal Service is seeking for legislative action to address CSRS retirement-related costs as part of Postal Service's Delivering for America plan.

While the removal of the unfunded retiree health benefits liabilities provided significant non-cash financial relief, premium payments come from the Postal Service Retiree Health Benefits Fund (PSRHBF), which USPS has not contributed to since 2010. The fund is expected to be depleted in FY 2031. Annual payments to cover retiree health premiums are projected to increase to $6 billion in FY 2032.[62]

In contrast to USPS, for postal operators in countries with universal healthcare systems, such as those in Europe, the government or national insurance companies are typically responsible for ensuring that retirees automatically retain access to public health insurance upon retirement with minimal to no additional cost to them. Retirees, rather than their former employers, bear out-of-pocket expenses for partially covered services (co-payments) or those not reimbursed by the universal health care program. Many retirees may also opt to pay for supplementary insurance to cover additional services or faster access to care.

Most Posts Have Leeway to Adjust Labor Costs

Labor costs can make up half to two-thirds of a post's total operating budget. Over the last two decades, international posts in our sample have focused on reducing costs and increasing labor flexibility by allowing attrition, implementing two-tier wage benefit systems, and replacing full-time civil servant employees with private sector contract employees.[63] As of the date of this report, Korea Post and the Postal Service are the only posts in our sample that still hire employees as civil servants, although the Postal Service is subject to a unique system in which some specified federal rules apply to its employees and are otherwise subject to the National Labor Relations Act.

According to the International Postal Corporation (IPC), about 75 percent of postal operators had a reduction in workforce in 2022, with postal workforces declining by an average of 2.9 percent that year.[64] In the United States as in other countries, different combinations of laws regulate different aspects of labor (including unionization, the right to strike, workers' compensation systems, and collective bargaining agreements). Overall, privatized posts have the greatest flexibility to adjust labor costs. The total labor costs for full-time equivalent positions at posts that are not privatized increased by 4.2 percent between 2017 and 2022, whereas costs incurred by privatized posts increased by 0.7 percent over the same period.

60 USPS OIG, "Primer on Postal Reform," Report No. RISC-WP-23-002, December 20, 2022, https://www.uspsoig.gov/reports/white-papers/primer-on-postal-reform.
61 In 2018, the OIG estimated that using alternative allocation methodologies could have increased USPS's CSRS balance by $80 to $111 billion by the end of 2016. USPS OIG, Update on the Postal Service's Share of CSRS Pension Responsibility, Report No. RARC-WP-18-009, May 7, 2018, https://www.uspsoig.gov/reports/white-papers/update-on-postal-services-share-csrs-pension-responsibility, p.1.
62 See USPS OIG, Postal Retirement Funds in Perspective: Historical Evolution and Ongoing Challenges, RISC-WP-24-002, January 8, 2024, https://www.uspsoig.gov/reports/white-papers/postal-retirement-funds-perspective-historical-evolution-and-ongoing.
63 Bpost, for example, started in 2010 to replace civil servant delivery employees, as they retired, with lower-paid "auxiliary" employees costing 30 percent less. USPS OIG, "Mail Profitability in International Posts," pp.9-12.
64 IPC uses a sample of 53 posts, from which the OIG drew its sub-sample of 26 countries. For more information on the list of IPC countries, please see Appendix A.

However, labor shortages are prompting some posts to take measures to attract and retain the personnel needed to handle parcel volumes, increasing labor costs. The Netherlands, for example, had an estimated shortage of 15,000 employees in the transport sector. PostNL has responded by offering permanent contracts to new hires as well as converting existing hires to permanent, indefinite contracts.[65] Similarly, the Postal Service has responded to a challenging labor market in the United States by setting a goal to cut the turnover of non-permanent employees in half, converting more than 56,000 pre-career employees to permanent civil servant positions in FY 2023.[66]

Posts' Strategies and Legislative Agendas to Foster Financial Sustainability

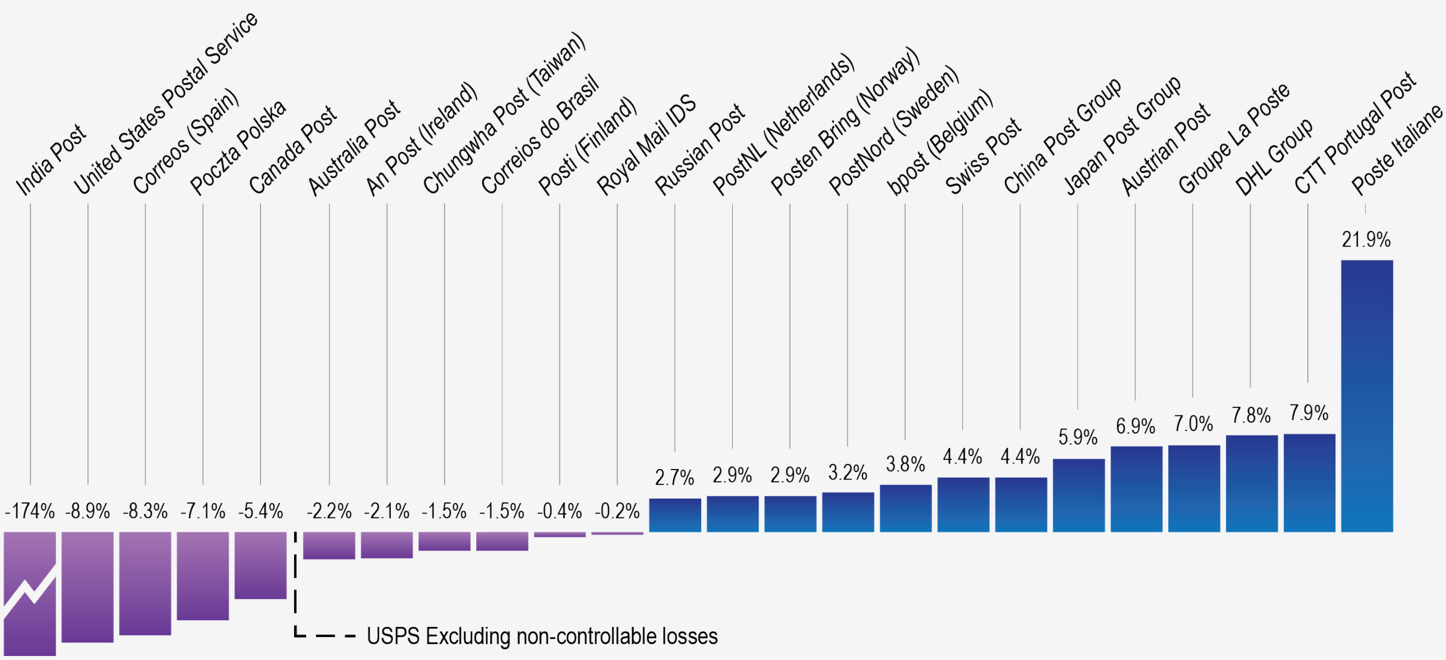
Previous sections examined different aspects of postal models. This section discusses how posts combine business strategies with legislative and regulatory agendas to address common challenges to the sustainability of their business models.

Almost half the posts in our sample were not profitable (negative EBIT margin) in 2023.

Current Market Trends are Challenging Posts' Profitability

Globally, the average profitability of the posts included in IPC's analysis remained very low. It has declined from 1.4 percent in 2019 to -1.1 percent in 2022 and -0.4 percent in 2023.[67] This trend is also reflected across our sample of postal operators. In terms of Earnings Before Interest and Taxes (EBIT) margins, almost half of the posts were loss-making in 2023 (see Figure 14.)[68] Out of those, one — India Post — had a more negative profit margin than the Postal Service. Removing non-controllable losses from the EBIT margin calculations, the Postal Service would have achieved a -3.6 percent EBIT margin in FY 2023.[69]

Figure 14: Postal Operators Profitability (EBIT Margin) in 2023



Source: OIG Analysis based on posts' 2023 annual reports.

65 PostNL, "Annual Report 2023: Staying resilient in volatile times," https://annualreport.postnl.nl/2023 pp.50-52.
66 USPS OIG, "Focus on: Pre-Career Employee Turnover and Retention," March 29, 2024, https://www.uspsoig.gov/focus-areas/focus-on/pre-career-employee-turnover-and-retention.
67 Information based on IPC's sample of 53 posts.
68 EBIT is used to provide a comparable metric across countries, analyzing a post's ability to generate earnings from its operations without the influence of tax rates and interest expenses that vary in each country. For each post the calculation of EBIT margins includes both controllable and non-controllable costs.
69 The scope of non-controllable expenses may differ significantly across postal operators as a result of different country-specific laws, such as pension or health insurance laws. The OIG did not attempt to recalculate international postal operators' EBIT margins after removing each operator's non-controllable expenses.

For most posts, mail volume and revenue decline is a primary factor driving down profitability. Price increases and lower costs from operational efficiencies have helped posts mitigate the impact of declining mail volumes. OIG research showed that in the 2010s, many international posts were generally able to increase mail revenue and — often — mail profits by increasing letter prices and improving cost efficiencies.[70] A 2024 OIG study analyzed prices relative to record levels of inflation across a sample of 25 countries and found that standard domestic letter prices increased an average of 31 percent above inflation from June 2018 to June 2023.[71]

However, mail profitability has continued to decline despite price increases and cost reductions. Structural challenges in the mail business persist and are likely to intensify in the future, making it increasingly difficult for posts that are not diversified to maintain profitability over time. For example, for the two European posts — Austrian Post and CTT Portugal Post — that had the highest average mail profitability between 2011-2015 (a 19 percent EBIT margin), profitability has declined to respectively 6.9 percent and 6.0 percent in 2023.[72]

According to the Universal Postal Union, the global revenue from letter mail services has dropped from over 50 percent of posts' total revenue in 2005 to an estimated 29 percent in 2025, predominantly due to changing mail usage habits.[73] In 2005, a typical post was delivering 30 times more letters than parcels. That number may drop to only three times more letters than parcels in 2025, according to McKinsey estimates.[74] In 17 of the 25 foreign countries in our comparison, people receive fewer than three mailpieces per week. In fact, mail is now virtually non-existent in some countries: in China, Vietnam, and India, people receive fewer than three mailpieces each year. In contrast, Americans receive an average of more than seven mailpieces per week. (See Appendix A.) However, the volume of Market Dominant mail in the U.S. has still been in steady decline, dropping 50 percent from FY 2006 (the all-time peak) to FY 2024.

Postal operators face additional challenges that make it difficult to generate a profit from their postal business. These shared challenges include increased competition from e-commerce, which affects parcel volume growth and delivery margins, and higher operating costs driven by rising labor, retirement, and transportation expenses.[75]

Despite their Different Models, Posts Share Common Profitability Strategies

In order to assess how posts are responding to the common threats outlined above, we compared the strategic plans of our sample of 25 foreign posts to USPS's updated version of its 10-year Delivering for America plan. (Box 3 shows the list of the Postal Service's "near-term goals." More detailed longer-term strategies are shown in Appendix B.)

70 The Postal Service stated that it was restricted from increasing revenue via this method during this time period, as it was restricted to a CPI- only price cap. See also, USPS OIG, "Mail Profitability in International Posts," Report No. RARC-WP-17-008, May 1, 2017, https://www.uspsoig.gov/reports/white-papers/mail-profitability-international-posts pp.5-10.

71 The Postal Service's stamp price increased 5 percentage points more than inflation across the same time period, in part due to new pricing authorities granted by the PRC in 2020. USPS OIG, "The Price of a Stamp: An International Comparison," Report No. RISC-WP-24-004, March 28, 2024, https://www.uspsoig.gov/reports/white-papers/price-stamp-international-comparison, p.10.

72 In contrast, some of the most profitable posts, such as Poste Italiane, are highly diversified. Poste Italiane generates the majority of its revenues from its financial and insurance services.

73 Universal Postal Union, State of the Postal Sector 2023: A Hyper-Collaborative Path to Postal Development, https://www.upu.int/en/publications/2ipd/the-state-of-the-postal-sector-2023.

74 McKinsey, "The Endgame for Postal Networks: How to win in the age of e-commerce," 2022, https://www.mckinsey.com/-/media/mckinsey/industries/travel%20logistics%20and%20infrastructure/our%20insights/the%20endgame%20for%20postal%20networks%20how%20to%20win%20in%20the%20age%20of%20e%20commerce/the_endgame_for_postal_networks_how_to_win_in_the_age_of_e-commerce.pdf, p.9.

75 For a detailed description of common challenges facing postal operators, see: Universal Postal Union, "Strategies and Ways for Developing the Traditional Letter-Post [Documents] Market," 2023, https://www.upu.int/UPU/media/upu/publications/202408finalTraditionalMarketStudy_EN.pdf, pp.15-18.

BOX 3: THE POSTAL SERVICE'S NEAR-TERM GOALS AND OBJECTIVES AS OUTLINED IN ITS DELIVERING FOR AMERICA 2.0 PLAN (SEPTEMBER 2024)

1. Reduce regional network transportation by aggregating volume in fewer facilities, moving mail and packages together regionally in an integrated manner using fewer trips, and shifting air volume to ground transportation.
2. Reduce local transportation by optimizing routes and cutting thousands of underutilized local trips a day.
3. Reduce processing and distribution costs by insourcing previously outsourced operations; reorganizing operating plans and schedules; adding more sortation equipment; and improving operating tactics to increase throughput, gain productivity, and increase asset utilization.
4. Reduce retail and delivery costs by right-sizing work hours, equipping delivery units with package automation equipment, accelerating Sorting & Delivery Centers (S&DC) implementation, optimizing carrier route structures based on changing market conditions, and improving operating tactics.
5. Grow package revenue by modernizing the approach to sales and marketing, and by providing reliable and affordable products to the American people and businesses that are responsive to their needs and aligned with USPS's operating model.
6. Continue to recover market dominant revenue by judiciously leveraging pricing authorities to offset past inflation and correct for what USPS considers to be a defective pricing model.
7. Pursue sensible and prudent legislative reforms to pension and workers' compensation systems.
8. Continue to invest in the organization and its employees.

Source: U.S. Postal Service, "Delivering for America 2.0," https://about.usps.com/what/strategic-plans/delivering-for-america/assets/dfa-2-0-fulfilling-the-promise-2024.pdf, p.23.

The comparison showed that there is broad convergence in the way both USPS and international posts respond to common challenges to their mail and parcels businesses, even while operating under different legal and regulatory constraints. While a detailed comparison of our sampled countries' operational strategies is beyond the scope of this paper, they share common themes (see Figure 15 and Appendix C).

Figure 15: A Summary of Posts' Main Strategies

MOST POSTS IMPLEMENT INITIATIVES TO CONTAIN COSTS AND GROW REVENUE IN THEIR CORE BUSINESS THROUGH AUTOMATION, DIGITAL TRANSFORMATION, AND IMPROVED CUSTOMER CONVENIENCE, WHILE AIMING TO REDUCE THEIR CARBON FOOTPRINT.

Long-term goals

- Protect mail business
- Grow parcels/ecommerce/logistics profitably
- Grow financial services
- Grow government services

Main strategies

- Diversify in areas close to and complementing core business
- Diversify in new areas
- Expand internationally
- Improve product offerings and customer experience
- Achieve cost efficiencies and adjust capacity in processing and delivery
- Expand or automate retail network and access to services
- Optimize permanent workforce

Main enablers

- Legislative or regulatory reform
- Innovations and digital transformation
- Company culture, social responsibility
- Environmental sustainability
- Acquisitions and partnerships
- Capital allocation / investments prioritization

(Dotted lines = applies only to some posts)
Source: OIG Analysis.

All posts prioritize protecting and strengthening their current core business, which typically includes mail and parcels. For diversified posts, this may also encompass other businesses such as banking, retail, government services, or digital services.[76] Common strategies to protect and grow core business include: increasing the use of sorting automation and data analytics; providing broader, more convenient access to the postal network (e.g., self-service kiosks, parcel lockers); and focusing on customer-centric products. As shown in Figure 15, they also implement environmental sustainability initiatives, such as reducing carbon emissions and acquiring electric vehicles, to both strengthen the postal business and respond to national sustainability goals.

Diversification primarily targets adjacent areas rather than entirely new sectors. For example, posts in our sample are using acquisitions to expand into areas such as warehousing or focus on specific geographic regions, rather than entering completely different industries like banking (if they are not already active in financial services). For example, Belgian and Norwegian posts are expanding into new segments of the ecommerce value chain to become a "regional logistics leader" in different parts of the European market.

Diversification primarily targets adjacent areas that expand the core parcels or logistics business.

In outlining their strategic plans, a number of posts in our sample also include the expected outcomes of these plans, such as profitability targets. As Figure 16 shows, posts' profitability goals may be very specific in terms of profit margin and timeline, as is the case of Ireland, Japan, Italy, or Spain. In other cases, the goals are expressed more generally to account for external factors that may be unpredictable in timing or scope. For example, bpost provides annual financial guidance rather than setting long-term EBIT targets.

76 For example, France's Groupe La Poste has four pillars: mail/parcels, its global logistics business Geopost, the postal bank, and retail and digital.

Figure 16: Examples of Profitability Targets in Post's Strategic Plans

Postal operator	Name of strategic plan	Stated profitability targets
An Post (Ireland)	Green Light 2028 Strategy	Reach a 10 percent EBITDA margin by 2028.
bpost (Belgium)	Connect 2026	No long-term profitability target but wants additional profits from other businesses to "more than compensate" for EBIT losses from the mail business.
Correos (Spain)	Strategic Plan 2024-2028	Reach a 6 percent EBITDA margin by 2028.
DHL Group	Strategy 2030	Increase each division's profit margin. (2030 EBIT targets are provided for each of them.) Increase Return on Invested Capital (ROIC).*
Japan Post Group	JPVision 2025 Plus	Increase return on shareholders' equity to 4 percent in 2025 then increase it further.
Poste Italiane	2028 Strategic Plan	Increase operating profit and net profit by about 4 percent a year from 2023 to 2028.
Swiss Post	Swiss Post of Tomorrow 2025-2028	Must comply with government's goal for the post to achieve for each business area profit levels commensurate with industry standards.

* ROIC is a profitability or performance measure of the return earned by those who provide capital to a company (bondholders and stockholders).
Source: OIG Analysis.

The Postal Service's plan, Delivering for America (DFA) 2.0 does not include a timeline for achieving profitability. Further, it lacks clarity on how the combined impact of cost efficiencies, potential savings from legislative actions, revenue growth initiatives, and rising costs will impact finances for the period from FY 2025 through FY 2030. Finally, in contrast to the 2021 DFA plan, this update does not include a detailed, year-by-year projected profit and loss statement.[77]

Long-term Sustainability of a Postal Model Requires Continuous Adjustments

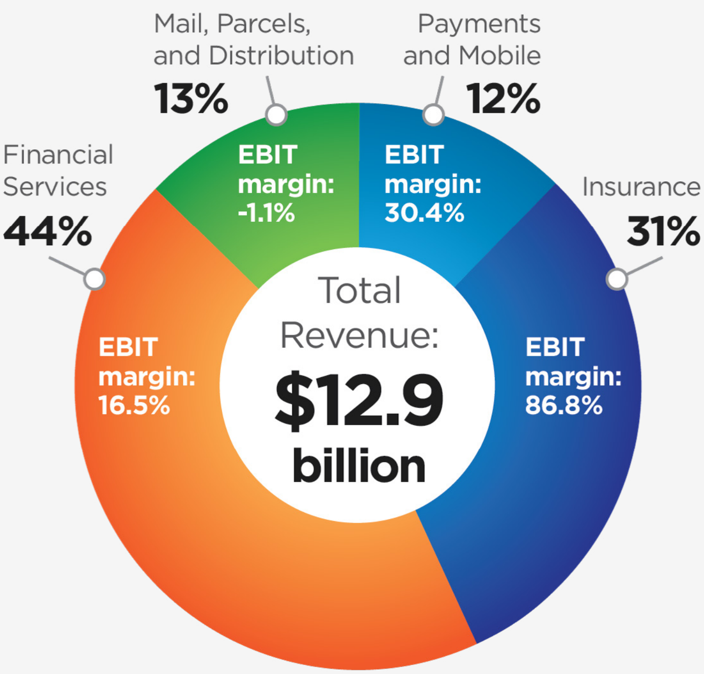
While posts operating under different models share many common strategies, it remains unclear whether any one model will ultimately prove more resilient and financially sustainable than others. Profit maximization is not inherently necessary for financial sustainability; state-owned posts generally have financial sustainability objectives, not profit maximization goals. Two key factors, though, appear to influence a model's ability to enhance a post's profitability:

- **Level of diversification:** Evidence suggests a positive correlation between greater diversification and profitability. According to IPC, posts that generate more than 60 percent of their revenue from non-mail segments are more profitable. In 2023, the most profitable post in our sample, Poste Italiane, was one of the four posts that relied the least on mail revenue. Its combined financial and insurance services businesses represented three-quarters of the revenue and the latter was extremely profitable (see Figure 17). Among the eight most profitable posts in our sample, Groupe La Poste, Japan Post Group, and CTT Portugal Post — in addition to Poste Italiane — derive most of the profits (from 71 to 86 percent) from banking and insurance services. (See Appendix D.)

There is a correlation between profitability and level of diversification.

77 See Figure 35 in U.S. Postal Service, "Delivering For America" (Full 10-year Plan), March 2021, https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf, p.51.

Figure 17: Poste Italiane's Revenue and EBIT Margin by Strategic Business Unit (2023)



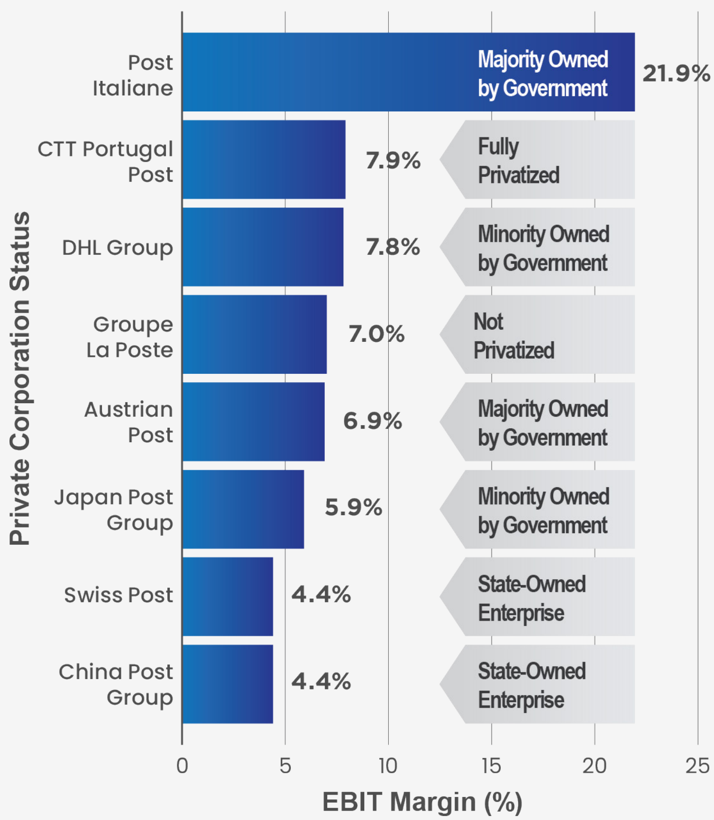
Source: Poste Italiane, Annual Report 2023.

Similarly, posts that experienced higher growth achieved this primarily through diversification and acquisitions rather than traditional postal operations.[78] Diversification, however, is not without risks. Expanding into new areas may divert financial and operational resources from the core mission of providing reliable and affordable postal services. In addition, entering non-core sectors like logistics and financial services will expose a post to competition and potentially strain financial stability if not handled carefully. Finally, not all posts in our sample earned their profits from their non-mail and parcels business; the Austrian and Swiss posts owe their high profitability to the profits gained from their traditional mail and parcel business (Appendix D).

- **Legal status of the post:** According to IPC data, postal operators with private corporation status, which typically offers greater business flexibility, tend to achieve higher profitability than their state-owned counterparts. In fact, six of the eight most profitable posts in our sample operate as private corporations. However, three of the six are still fully or majority-owned by government (see Figure 18 and Appendix D). Further, full privatization does not necessarily guarantee high profitability, as shown by IDS's (Royal Mail's parent company) struggle to return to profit more than 10 years after its 2013 privatization.[79]

In fact, no single postal model guarantees sustained long-term success without continuous adjustments. The relevance of each postal model hinges in fact on the post's adaptability to regulatory environments, changing market conditions, and consumer behaviors.

Figure 18: Legal Status and Ownership of the Most Profitable Posts (2023)



Finally, assessing the relevance of postal models based solely on profitability overlooks the critical role of posts as public service providers. In this respect, the UPU Integrated Index for Postal Development (2IPD) offers a comprehensive measure of relevance based on a postal model's contribution to a country's

78 Accenture, "2023 Post & Parcel Industry Trends," Accenture-PostalResearch-2023-for-com.pdf, p.10.
79 IDS, "International Distribution Services plc results for the 26 weeks ended 29 September 2024," November 21, 2024, https://www.internationaldistributionservices.com/en/press-centre/press-releases/international-distribution-services-plc/international-distribution-services-plc-results-for-the-26-weeks-ended-29-september-2024/.

economic growth and social inclusion.[80] Notably, the seven highest-ranked posts in the UPU's 2024 2IPD — based on 2023 figures — includes posts with different legal statuses and different levels of profitability: three state-owned enterprises (the Postal Service, Australia Post, and Swiss Post), a fully government-owned private corporation (France's Groupe La Poste), two minority government-owned private corporations (Japan Post Group and DHL Group), and one post without any government ownership (Netherlands' PostNL).[81] Two of these posts (USPS and Australia Post) were unprofitable in 2023. The Postal Service had a global 2IPD ranking of 13th place in 2016, but its ranking markedly improved to 7th place in 2021 and 2022, 6th in 2023, and 4th in 2024.

Legislative Agendas Reflect Different Needs for Enhanced Flexibility

Depending on the frameworks they operate within, posts may require changes that are beyond their direct control but that can be implemented by their respective governments. We examined the legislative and regulatory agendas of USPS and foreign posts from our sample with a negative EBIT in 2023 (shown in Figure 14).[82] The key themes are as follows:

- **Revisiting the USO.** Royal Mail IDS, Australia Post, and Canada Post have requested changes to the USO in the past year. For example, Canada Post would like to relax its retail USO. It stated that its moratorium on the closing of rural post offices has hampered its ability to adjust to evolving suburban demographics and required more flexibility in its ability to update the retail network.[83] Australia Post was allowed to cut delivery frequency in 2024. In contrast, USPS permanently codified six-day delivery in the PSRA and reaffirmed its support for the mandate in Delivering for America (DFA) 2.0.
- **Seeking additional government funding.** An Post is requesting additional government funding for retail post offices. In 2024, Correos requested and obtained funding from Spain for loss-making post offices. DFA 2.0 reiterates the Postal Service's decision not to close any post office or reduce their opening hours, but it does not clarify whether USPS will request financial support from Congress for loss-making rural post offices as allowed under 39 U.S.C. § 2401(b)(1). The plan simply states that USPS will work to "secure statutorily mandated appropriations."
- **Pricing flexibility.** Canada Post advocated for more pricing flexibility and, in January of 2025, approved a one-time 25 percent increase to stamp prices to meet rising costs. DFA 2.0 states that the Postal Service, to which the PRC gave additional pricing flexibility in 2020, will continue to "judiciously" leverage its pricing authorities.
- **Business flexibilities.** Our comparison of foreign loss-making posts' strategies did not reveal major examples of requests for increased business or commercial flexibilities, or calls for privatization. As previously noted, the DFA 2.0's legislative and administrative agenda highlights include several requests for greater business flexibilities, such as:
  - An increase to the $15 billion debt ceiling,
  - More flexibility in the investment of pension assets, and
  - A reallocation of CSRS pension liabilities. As already mentioned, the revision of how CSRS liabilities are divided between USPS and the federal government would require legislative action and could save $3 billion a year in amortization expenses.[84]

80 The model combines multiple indicators reflecting the quality of a post's operations ("reliability" and "connectivity"), its ability to withstand economic, societal or environmental shocks ("resilience"), and the relevance of its products and infrastructure to the needs of citizens and businesses. Universal Postal Union, "Methodology Note Calculating Postal Development Level (PDL) and the Integrated Index for Postal Development (2IPD)," 2023, https://www.upu.int/getmedia/e2172fe4-b750-444d-95f6-06458bdc1930/Methodological-Guide-for-PDL-and-2IPD.pdf.
81 Universal Postal Union, "State of the Postal Sector 2024," December 2024, https://www.upu.int/UPU/media/upu/publications/202412sPSReportMain_EN.pdf, pp.50-51.
82 Those were the posts of Australia, Brazil, Canada, Poland, India, Ireland, Spain and the UK.
83 Canada Post, "2023 Annual Report," https://www.canadapost-postescanada.ca/cpc/doc/en/aboutus/financialreports/2023-annual-financial-report.pdf, p.14 and p.42.
84 U.S. Department of Justice, "Whether the United States Postal Service Bears Responsibility for the Cost of Certain Civil Service Retirement Benefits Paid to Its Employees," March 26, 2024, https://www.justice.gov/olc/media/1348126/dl?inline#:-:text=The%20United%20States%20Postal%20Service%20is%20responsible%20for%20the%20full,in%20benefits%20accrued%20during%20those.

- **Major Strategic Shifts.** Two international posts currently operating at a loss are making major changes to their strategies. In India, the government plans to overhaul its postal system by turning the post into a logistics provider with the goal of boosting its revenue by 50 to 60 percent over the next 3 to 4 years. A part of this shift includes a delivery agreement with Amazon signed in October 2024.[85] India Post also intends to provide a wide range of financial, insurance, and "customer-centric" services at its post offices. In Poland, the 2024 postal transformation plan involves reducing the post's workforce by 15 percent and modernizing its parcel handling and post office operations. In contrast, while DFA 2.0 calls for congressional action in some areas, it does not represent a major shift as it reiterates that fully implementing the plan would prevent USPS from running out of cash, ensuring it can meet basic obligations, avoid drastic service cuts, and prevent the need for a taxpayer-funded bailout.

Conclusion

Postal models reflect the combination of privileges, mandates, and business freedoms that legislation has given posts to fulfill their public service missions in a financially sustainable manner. The Postal Service has more flexibility than many other international posts in determining how the agency will implement its universal service obligation. However, USPS faces more business restrictions, especially when it comes to borrowing funds and managing its pension obligations.

The widely varying characteristics of international postal models significantly influence their paths to financial sustainability. Models that offer greater business and regulatory flexibility are typically associated with higher profitability. However, regardless of posts' legal status or business agility, the long-term sustainability of postal models depends largely on posts' and governments' ability to adapt the models to evolving market conditions and societal needs. In this respect, a number of posts are seeking a reduction of the USO or the granting of appropriated funds to make their missions more financially sustainable.

Like the Postal Service, many international posts also face a challenging postal market and uncertain path to long-term financial resilience. Profitability, however, is not the sole indicator of the relevance of a postal model, which also hinges on the post's contribution to a country's economic development and social inclusion.

The Postal Service's current legislative agenda does not propose significant changes to its business model, but it seeks targeted regulatory reforms that it asserts would enhance business and financial flexibility. However, while outlining a strategic path, the updated Delivering for America plan lacks specific timelines for implementing key reforms and details on their expected impact on finances, leaving uncertainty about the Postal Service's long-term financial sustainability.

Summary and Evaluation of Management's Comments

Management asked the OIG to amend their framing of multiple references to *Delivering for America 2.0 – Fulfilling the Promise.* Management raised concerns with the OIG mentioning a lack of detailed financial projections, arguing that such forecasts are neither legally required nor effective in measuring progress. Additionally, the Postal Service disputes the claim that the plan does not represent a major strategic shift for the Postal Service. Management argues that while the business model itself has not changed, the plan enables a transformation from an outdated, outsized network to an integrated logistics system focused on growth rather than managing decline. Finally, management provided a table with requested amendments or clarifications.

85 Parcel and Postal Technology International, " Amazon and India Post partner on nationwide delivery," October 8, 2024, https://www.parcelandpostaltechnologyinternational.com/news/last-mile/amazon-and-india-post-partner-on-nationwide-delivery.html.

The OIG appreciates the Postal Service's engagement with our comparative study and its perspective on the role of financial projections within the *Delivering for America 2.0 – Fulfilling the Promise* plan. While we acknowledge that such projections are not statutorily required, they remain a critical tool for assessing long-term financial stability and providing stakeholders with a clear understanding of the plan's expected financial outcomes.

The OIG agrees with the Postal Service's statement that the plan, while resulting in wide changes to networks and operations, does not involve changes to its business model. The report aims to provide insights into other posts' strategies without making determinations as to whether any one postal business model will ultimately prove more resilient and financially sustainable than others or implying that those strategies should be pursued in the U.S.

Appendices

Appendix A: Additional Information

Objective(s), Scope, and Methodology

The first objective of the research paper was to describe how the Postal Service compares to international postal operators in terms of:

- Legal and regulatory environment, governance and legal status, regulatory oversight including price caps, and methods of funding;
- Financial health; and
- Main operational strategies such as utilization of retail networks, labor, product diversification, and service standards.

The second objective was to provide insights on how these different frameworks and strategies may influence the long-term financial sustainability of postal operators.

The scope of this paper includes the public service missions, funding, business freedoms, legal status, profitability, strategic responses to common challenges, and main legislative agenda of the Postal Service as well as 25 international posts.

This report is primarily based on desk research — specifically, on postal operators' annual reports for calendar year 2023 or, where not aligned with calendar year, fiscal year 2023. To complement annual reports, the OIG used information from reports issued by:

- International organizations, such as the Universal Postal Union, the European Commission, and International Post Corporation;
- Consulting firms (such as McKinsey, Accenture, and Arthur D. Little);
- Postal industry suppliers (Escher Group).

The OIG started with a large sample of 53 postal operators used by International Post Corporation. In addition to the Postal Service it selected 25 international posts that met two criteria: a minimum country size (above 10,000 square miles) and a minimum total annual revenue (all lines of business included) exceeding $1 billion per year (see table below).[86] The data used for the selection were compiled from Universal Postal Union's Postal Statistics, supplemented as needed by data from the above-mentioned sources (see below).[87]

86 The United Kingdom is a special case because the postal operator, Royal Mail, is distinct from the company that provides postal retail services, Post Office Ltd. Except where stated otherwise, our analysis focuses on Royal Mail, which is part of the International Distribution Services (IDS) group. Throughout this paper, we are referring to Royal Mail as Royal Mail IDS.

87 The 28 posts from the IPC list not retained in the OIG's sample are those from the following countries: Argentina, Chile, Croatia, Cyprus, Czechia, Denmark, Estonia, Greece, Hongkong (China), Hungary, Iceland, Indonesia, Israel, Latvia, Lithuania, Luxembourg, Malaysia, Mexico, New Zealand, Philippines, Romania, Singapore, Slovakia, Slovenia, South Africa, Thailand, Türkiye, and Ukraine.

Geographic, Demographic, and Postal Indicators Used for the Selection of Posts

Country	Name of the post	Size (sqm)	Population (in m)	Annual Domestic Letter Volume (in m)	Number of Domestic Letters Per Capita Per Year	Total Revenue 2022 (in m USD)
China	China Post	3705407	1,425.9	887	0.6	$114,915
Germany	DHL Group	137847	83.4	14122	169.4	$111,843
United States	US Postal Service	3717812	333.3	128900	386.7	$78,507
France	Le Groupe La Poste (France)	212935	64.6	6700	103.7	$35,411
United Kingdom	IDS (Royal Mail)	93784	67.5	9800	145.2	$16,700
Japan	Japan Post Group	145898	124.0	14423	116.4	$15,725
Italy	Poste Italiane	116340	59.0	2365	40.1	$13,604
Switzerland	Swiss Post	15940	8.7	1611	184.3	$7,969
Taiwan	Chunghwa Post (Taiwan)	13892	23.6	1850	78.5	$7,560
Australia	Australia Post	2988902	26.2	1940	74.1	$6,190
Canada	Canada Post	3849674	38.5	6207	161.4	$5,670
Belgium	bpost (Belgium)	11787	11.7	1390	119.3	$5,027
Brazil	Correios Brasil	3287292	215.3	2382	11.1	$4,358
Netherlands	PostNL (Netherlands)	16034	17.6	1884	107.3	$3,602
Austria	Austrian Post	32378	8.9	4459	498.8	$3,006
Russia	Russian Post	6592849	144.7	1320	9.1	$2,826
Norway	Posten Bring (Norway)	148709	5.4	346	63.7	$2,552
Sweden	PostNord (Sweden)	173732	10.5	1069	101.3	$2,540
Korea (Rep)	Korea Post	38432	51.8	2561	49.4	$2,287
Spain	Correos (Spain)	195365	47.6	1368	28.8	$2,087
Finland	Posti (Finland)	130559	5.5	410	74.0	$1,888
Poland	Poczta Polska (Poland)	124808	39.9	1032	25.9	$1,709
India	India Post	1269219	1,417.2	3820	2.7	$1,367
Vietnam	Vietnam Post	128066	98.2	117	1.2	$1,128
Portugal	CTT Portugal Post	35514	10.3	392	38.2	$1,036
Ireland	An Post (Ireland)	27133	5.0	300	59.7	$1,015

The inspection was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation.

Prior Coverage

Title	Objective	Report Number	Final Report Date	Monetary Impact
Business or Public Service? Insights into the Unique Laws and Regulations Applying to the Postal Service	Provide a high-level overview of the different laws and regulations that uniquely apply to the Postal Service and to create a detailed analysis of the most critical regulations and their impact on the Postal Service's business agility.	RISC-WP-24-006	August 2, 2024	$0
Variations and Trends in Postal Regulatory Oversight	Provide an overview of the main oversight activities of the Postal Regulatory Commission (PRC) and postal regulators in selected countries with developed postal markets. Examine current and future trends and challenges in postal regulation and regulatory oversight.	RISC-WP-24-003	March 4, 2024	$0
Postal Retirement Funds in Perspective: Historical Evolution and Ongoing Challenges	Review the history and legislative evolution of the Postal Service's retirement funds in CSRS, FERS, and PSRHBF. Assess the current challenges experienced by the Postal Service's retirement funds and consider future challenges.	RISC-WP-24-002	January 8, 2024	$0
Primer on Postal Reform	Review the key provisions of the Postal Service Reform Act of 2022 (PSRA) and identify potential opportunities and challenges they present for the Postal Service.	RISC-WP-23-002	December 20, 2022	$0
Uncompensated and Undercompensated Services	Determine whether the Postal Service is appropriately compensated for selected government and business services.	20-208-R21	April 5, 2021	$0
Reevaluating the Universal Service Obligation	Provide insights into the future of the Postal Service's USO based on an analysis of posts that have made changes to their USO.	RISC-WP-20-010	May 6, 2020	$0
Foreign Posts' Retirement Asset Investments	Review the pension fund investment practices of the Postal Service and 11 foreign posts.	FT-WP-19-001	May 21, 2019	$0
Mail Profitability in International Posts	Examine the resilience and profitability of mail in a sample of international posts.	RARC-WP-17-008	May 1, 2017	$0

Appendix B: Postal Service's Delivering for America 2.0 – Detailed Strategies

1. A Strengthened Public Service Mission	Address organizational inefficiencies, advance cost-reduction and revenue-growth initiatives. Continue to innovate in our retail centers and service offerings. Pursue new partnerships with government agencies to expand public trust services. Become the local storefront for government and community services. Continue to deliver election mail on time.
2. An Organization Structured for Success	Create a more agile, resilient, and forward-looking organization by refining structure and reposition workforce to better align with strategy, drive growth, and modernize operations. Incorporate commercial best practices to better serve customers and local communities. Foster a culture of engaged and collaborative leaders. Leverage technology to create a competitive advantage, enabling efficiencies, growth, and performance.
3. Best-In-Class Mail and Package Processing	Continue to improve mail and package processing operations and capabilities. Standardize operations across the processing and delivery network, around Regional Processing & Distribution Centers (RPDCs) and Local Processing Centers (LPCs). Concentrate and consolidate facilities to leverage economies of scale. Continue to address deferred maintenance by refitting facilities. Conduct national initiatives to improve productivity, reduce work hours through lean processes, and reinforce standard work instructions. Prioritize training to foster collaboration and accountability. Improve operational planning and discipline.
4. Best-In-Class Delivery Operations	Develop Sorting & Delivery Centers (S&DC) network to enhance delivery operations, extend next-day delivery, and propel long-term growth. Introduce advanced sorting technologies, infrastructure upgrades, and a new fleet of delivery vehicles, including electric vehicles. Develop initiatives to provide enhanced scheduling and staffing, optimized routes, real-time customer notifications, improved employee safety, and better mail security.
5. A Fully Optimized Surface and Air Transportation Network	Complete transition to new channels for air transportation and realign ground transportation network by shifting volumes from air to surface networks to cut costs and improve delivery times. Continue to use logistics software and technology to support real-time visibility, optimize routes and transportation networks, and help create an efficient and reliable integrated mail and package network. Expand nationwide the Regional Transportation Optimization (RTO) initiative to eliminate inefficient transportation runs. Scale the Postal Vehicle Service program to insource transportation activities.
6. A Modern, Transformed Network of Post Offices	Modernize retail footprint to enhance the customer experience and strengthen the brand by redesigning lobbies, introducing digital options, and expanding self-service retail technologies and enhanced parcel locker services. Continue to strengthen Postal Service's role as an enabler of commerce and public service by developing new products and services and partnerships with local governments and organizations. Provide comprehensive shipping and mailing solutions to local businesses forbrand elevation. Decision not to close any retail locations nor reduce opening hours for post offices.

7. Service Standards that Foster Service Excellence and Reliability	Eliminate underutilized and superfluous facilities, and modernize outdated ones: ■ Streamline network of RPDCs, LPCs, and S&DCs. ■ Equip each of these facilities with suitable state-of-the-art machinery, staffed by trained employees. Enhance transportation efficiency by reducing trips and layovers and improving truck utilization. In particular, launch a nationwide RTO Initiative to ensure that certain collection/delivery facilities receive their destination mail and dispatch their originating mail on the same morning transportation route. Revise service standards for end-to-end products, making them more precise, logical, and customer responsive.
8. A Bold Approach to Growth, Innovation, and Continued Relevance	To grow the package delivery business, evolve and expand the same-day, next-day, two-day, and nationwide delivery business by leveraging modernized first, middle, and last-mile networks. Continue to advance solutions and relationships with shipping customers Continue to develop methods to increase the value and affordability of market dominant mail products. Continue to capitalize on role as critical infrastructure by increasing service relationships to government agencies and communities throughout the country.
9. Environmental Stewardship	Champion sustainable practices and achieve sustainability targets in a manner that makes both business and environmental sense. Continue to reduce emissions throughout operations, electrify fleet, and deploy technology to optimize delivery routes and improve asset utilization.
10. A Stable and Empowered Workforce	Create a stable and empowered workforce through retention, improved employee experience, workforce development, and succession planning. Continue to fill supervisory vacancies and modernize the hiring process. Enhance employee experience for new hires, enhance long-term career paths, and improve training for front-line supervisors. Promote diversity through the Executive Diversity Council and other programs. Implement programs that promote a safer and healthier work environment.
11. Sensible and Prudent Legislative and Administrative Support	Work with government agencies to implement the Postal Service Reform Act of 2022 (PSRA) and transition to new postal health plans. Advocate for reforms that more fairly allocate responsibility for Civil Service Retirement System (CSRS) obligations and for reforms that allow market-based investments of retiree funds to reduce retirement-related expenses. Seek to adopt private sector best practices for workers' compensation administration. Seek to increase debt limit of $15 billion to enhance financial flexibility. Seek reform that would streamline the oversight of the Postal Service by multiple agencies to allow USPS to function as a nimbler business. Continue to advocate for congressional action to revise pricing models, and secure statutorily mandated appropriations.
12. A More Rational Approach to Pricing	Continue to price Market Dominant products judiciously to grow revenues to cover increasing costs. Create competitive postal products that meet the evolving needs of customers, and price them to gain additional revenue "consistent with the market realities."
13. Financial Stability and Investment	Press ahead on revenue-generating and cost-cutting initiatives, focusing on controllable income or loss in a context where USPS has little or no control over some key expenses. Continue to move forward with the strategies in Delivering for America that are already in motion to ward off risk that USPS run out of cash, and either fail to fulfill its basic obligations, drastically cut services, or require a taxpayer-funded bailout.

Source: Postal Service, "Delivering for America 2.0 – Fulfilling the Promise," 2024, https://about.usps.com/what/strategic-plans/delivering-for-america/assets/dfa-2-0-fulfilling-the-promise-2024.pdf.

Appendix C: Summary of International Posts' Strategic Plans

Posts outside Europe and Asia		
Australia Post	**Correios do Brasil**	**Canada Post**
"Post 26 Strategy" and FY 2024 strategic priorities	Strategic Plan 2024/2028	"A Stronger Canada – Delivered" 2021 and 2024 strategy
Delivering a better tomorrow: Create a sustainable future by remaining relevant and meeting customer expectations by focusing on digital development and adjusting the range of services.	Become a reference provider in the global logistics ecosystem, provide business solutions, and promote public policies in a sustainable way. Ensure economic, financial, and environmental sustainability. Grow in competitive markets. Optimize provision of universal service.	Note: Corporate Plan 2024-2028 was not yet approved by government as of November 2024. In the short term, in response to financial challenges, post is slowing investment, focusing on cost cutting, and growing revenue wherever possible.
Europe		
An Post (Ireland)	**bpost (Belgium)**	**Correos (Spain)**
"Green Light 2028"	"Connect 2026" (2020) and "New Vision" (2024)	Strategic Plan 2024/2028
Become a €1bn company with €100m Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) by 2028. Innovate in mail, become an expert in international trade for Irish companies; focus on circular economy initiatives; move Financial Services from start-up to powerful challenger through partnerships, technology, and best products. Launch new digital products and use a "digitally connected workforce" in each community. "Become an expert on workforce design and delivery" and achieve net-zero carbon emissions target by 2030. Further investment in EVs.	Transform into a regional leader in high value flexible logistics; secure and grow domestic services to citizens, businesses, and government; be a reference in social and environmental sustainability.	Reposition the post and change the business model to restore profitability. Diversify revenue with an emphasis on parcels and retail government services, increasing revenue, and rationalizing costs.
CTT Portugal Post	**DHL Group**	**Groupe La Poste**
Current strategy	"Accelerate Sustainable Growth" (Strategy 2030)	"La Poste 2030 – Committed for you"
Be companies' preferred business partner by promoting e-commerce offerings and optimizing the post's physical and digital presence. Be customers' closest point of access to physical communications and core financial services.	Four pillars: provider of choice, green logistics of choice, investment of choice, employer of choice. DHL is striving for a 50 percent revenue growth by 2030 through growth strategies for each division (Express, eCommerce, Global Forwarding and Freight, Supply Chain), including initiatives to focus on new segments such as bio pharma and fastest-growing customers worldwide.	Building on its four business lines (Mail/Parcels, Geopost, Postal Bank, and Retail and Digital), continue to combine public service missions and financial performance: ▪ Consolidate and adapt the group's core historical businesses, the post office network, workforce, and public service missions. ▪ Take full advantage of the boom in e-commerce in France and globally, while also being a major player in banking and insurance. ▪ Concentrate on new growth areas: digital trust and local human services. ▪ "Raise the bar in terms of profitability and critical mass".

Austrian Post	Poczta Polska (Poland)	Poste Italiane	PostNL
Current Strategy	Transformation Plan	"The Connecting Platform" (2024-2028)	Current strategy
Defend market leadership and profitability in the core business (mail, parcels and logistics, retail and banking services). Generate profitable growth in neighboring countries. Develop retail and digital offerings for consumers and SMEs. Sustainability, diversity, and customer orientations must guide all activities.	Turn the post into a “modern courier-retail-financial-digital company”. Transform and modernize Polish Post’s courier and financial services, IT systems, logistics processes, and sales networks.	Combine cost discipline and transformation strategy: Become a full end-to-end logistics operator and transform the postal network into an increasingly parcel-focused one. Leverage technology to improve customer experience and operational efficiency and promote sustainable growth. Continue growth in Financial and Insurance Services, in particular the Life Investment & Pension business. Transform the post office from a transactional to a relational space, by supporting Italy’s social and economic cohesion plans (Polis Project). Continued investments in HR training and path towards carbon neutrality by 2030.	Three pillars: Manage parcels for sustainable growth, manage the domestic (Dutch) letter mail market for value, and accelerate digital transformation. Deliver distinctive customer/consumer experience to be the most efficient and innovative logistics platform in, to, and from the Benelux.

Current Strategy	Transformation Plan	Current strategy
Defend market leadership and profitability in the core business (mail, parcels and logistics, retail and banking services). Generate profitable growth in neighboring countries. Develop retail and digital offerings for consumers and SMEs. Sustainability, diversity, and customer orientations must guide all activities.	Turn the post into a “modern courier-retail-financial-digital company”. Transform and modernize Polish Post’s courier and financial services, IT systems, logistics processes, and sales networks.	Manage parcels for sustainable growth, manage the domestic (Dutch) letter mail market for value. Deliver distinctive customer/consumer experience to be the most efficient and innovative logistics platform.

(Royal Mail/GLS) IDS	Russian Post	Swiss Post
Current strategy	2020-2030 Strategic Plan	“Swiss Post of Tomorrow” (2020-2030, updated 2024)
Royal Mail: major transformation needed but "will take time and investment". Focus on improving service performance, reorganizing transportation network (fewer domestic flights, more commercial rail services), and efforts to reduce sick leave . Continue to expand out-of-home footprint, with planned increase in drop off locations of more than 50 percent to 21,000. GLS (IDS’s international parcel division): Investing in automation for cost efficiency, network upgrades and increased capacity; transforming the last mile and expanding out of home (OOH) network; growing the international business and exploring acquisitions.	▪ Focus on company transformation, development of core business areas, and improving infrastructure. Specifically: develop hybrid services. Grow integrated services for e-commerce merchants (fulfillment, bonded warehouses, freight services), and facilitate international trade (e.g., with China). Develop financial services that support ecommerce, such as insurance services. Develop new "social and government services" at post offices to compensate for the decline of traditional services such as payments of pensions at counters.	Strengthen positioning in “the reliable transport of goods, information, and people” (parcels, mail, and passenger transport services). Develop and expand the range of services, growing based on post’s own resources, and wherever necessary, acquisitions and partnerships. Achieve net zero emissions by 2040. Follow seven “strategic ambitions”: ▪ Customer centricity ▪ Targeted and sustainable growth ▪ Financial independence ▪ Relevance to the population ▪ Physical and digital connections ▪ Attractiveness to employees ▪ On track for net zero

Europe (Nordic Region)

Posti (Finland)	Posten Bring (Norway)	PostNord (Sweden)
Current strategy	Current strategy	Current strategy
Grow the three strategic core businesses: parcel deliveries, contract logistics, and eCommerce fulfillment, supported by in-house logistics, 4PL transport solutions, industrial logistics, freight, logistics staffing and postal (letter and parcels) services.	As a 'leading Nordic logistics actor', main goals are to ▪ Be the customer's first choice, through high quality, trusted services and comprehensive logistics solutions and value propositions. ▪ Be the most innovative logistics player through data, digital tools, and automation. ▪ Be best at sustainable value creation, as a responsible social actor and employer, and a driving force in the transition to a lower emission society. ▪ Ensure the highest possible financial return. ▪ Be an attractive workplace through an open and inclusive culture.	Win in parcels and operate a financially sustainable mail business. Five enablers: culture, brand, "cash management and courage to invest", "digitally driven", and environmental sustainability. (Note: the above strategy applies to the two posts owned by PostNord: those of Sweden and Denmark.)

Asia

China Post Group	Chunghwa Post (Taiwan)	India Post
China's "Fourteenth Development Plan" (2021-2025)	Current Strategy	Future vision
Enhance its competitiveness, modernize its operations, and align with broader national strategies.	Offer comprehensive and quality mail, savings, life insurance, and remittance services. Actively accelerate the transformation of postal services and concentrate on smart logistics, digital finance, and medical services in post offices.	In September 2024 government announced ambition to turn the post into a "logistics company" and increase revenue "by 50-60 percent" within the next 3-4 years. The Post also intends to provide citizen-centric services nationwide and leverage public- private partnerships
Japan Post Group	**Korea Post**	**Vietnam Post**
Japan Post "2025 Plus"	Current strategy	"National Postal Development Strategy"
▪ Strengthen profitability. ▪ Invest in human resources, user experience, and digital transformation. ▪ Review and streamline operations through digital transformation and increased investment in logistics. ▪ Expand the real estate business. ▪ Make post offices more convenient (relocations, new services). ▪ Build a flexible sales structure.	▪ Provide everyday services that are easily accessible to the public ▪ Improve working conditions for employees and reform the mail profit structure. ▪ Improve digital finance competencies. ▪ Assist in developing an ecosystem that supports innovative growth.	Few details available.

Appendix D: Breakdown of Profits by Business Unit for the Most Profitable Posts in OIG Sample (2023)

Below are the sources of profits for the posts in our sample that had the highest EBIT margin. For each post, percentages shown are the shares of that post's total EBIT that each business unit generated.

Main Sources of Profit (EBIT) by Business Unit (2023)

Post	Legal status	Business Units				
Poste Italiane	Private corporation, majority-owned by government	Mail and Parcels	Financial Services	Insurance Services	Payments and Mobile	
		0%	32%	51%	17%	
CTT Portugal Post	Private corporation, no government ownership	Mail	Express and Parcels	Banking (Banco CTT)	Financial Services and Retail	
		7%	23%	29%	42%	
DHL Group	Private corporation, minority owned by government	Post & Parcel Germany	Express	eCommerce	Freight	Supply Chain
		13%	48%	4%	21%	14%
Groupe La Poste	Private corporation, wholly owned by government	Mail and Parcels	Geopost [international logistics]	La Banque Postale	Retail and Digital	Real Estate
		0%	11%	84%	2%	4%
Austrian Post	Private corporation, majority owned by government	Mail	Parcels & Logistics	Retail & Bank		
		63%	37%	0%		
Japan Post Group	Private corporation status, minority owned by government	Postal and domestic logistics	International Logistics	Post Offices	Japan Post Bank	Life Insurance
		5%	2%	7%	68%	18%
Swiss Post	State-owned enterprise	Logistics Services	Postal Network [retail services]	PostFinance	Communication Services [digital services]	Mobility Services [postal buses]
		52%	7%	25%	2%	14%
China Post	State-owned enterprise	Information not available on the main sources of profit (EBIT) by business unit.				

Business units highlighted in blue are those where the post reports its letter mail business. Business units highlighted in green are those where the post reports its banking, insurance and other financial services businesses.
Source: OIG Analysis based on annual reports 2023.

Appendix E: Management's Comments

UNITED STATES POSTAL SERVICE

February 21, 2025

PAOLA PISCIONERI
RESEARCH DIRECTOR
OFFICE OF INSPECTOR GENERAL

SUBJECT: Management Response/Comments to the OIG White Paper – A Comparative Study of International Postal Models (Project # 2025RISC001)

Thank you for providing the Postal Service an opportunity to review and respond to the OIG's White Paper – *A Comparative Study of International Postal Models* (2025RISC001). We very much appreciate our ongoing dialogue throughout the engagement.

While the purpose and scope of this paper is intended to compare postal models, there are several instances where the OIG criticizes the fact that the Postal Service's Delivering for America 2.0 – Fulfilling the Promise plan does not include detailed financial projections. This criticism is both unwarranted and immaterial to the stated purpose of this paper.

The original Delivering for America Plan went above and beyond statutory requirements in terms of providing detailed ten-year financial projections. We determined that it was neither necessary nor productive to include such forecasts within Delivering for America 2.0 – Fulfilling the Promise. It was not necessary because Section 2802 does not require that Postal Service strategic plans contain such financial projections. *See* 39 U.S.C. § 2802(a) (specifying the required contents of a strategic plan). It was also not productive because including such detailed projections as part of the Delivering for America Plan is not a meaningful way to assess the Postal Service's progress in implementing our Delivering for America initiatives. To the contrary, including such detailed multi-year projections proved to be a distraction which diverted attention away from confronting the significant structural obstacles that must be resolved for the long-term viability of the Postal Service, and from holistically evaluating whether the Delivering for America Plan successfully navigates those obstacles. Indeed, stakeholders continually pointed to the fact that the Postal Service had not broken even by FY2023 as a basis to challenge the continuation of the Plan, even though this was due almost entirely to factors outside of our control and hence said nothing meaningful about the Postal Service's actual progress with respect to our self-help Delivering for America initiatives. Instead, the Postal Service determined that there are other ways to properly and regularly assess progress with respect to our self-help Delivering for America initiatives, and one of the Plan's overall goals of achieving financial stability, that are more concrete and better enable the full context to be considered. This includes the Postal Service's financial reports that set forth achieved financial metrics such as controllable income.

It is also incorrect for the OIG to state that the Delivering for America Plan does not represent a major strategic shift for the Postal Service. Since the implementation of the Delivering for America Plan in March 2021, and the release of Delivering for America 2.0 – Fulfilling the Promise plan in September 2024, the Postal Service has been working towards a future state that meets our Congressionally mandated balance of service excellence with financial sustainability. This process has been transformative, involving a fundamental overhauling of an outdated, outsized network to an integrated logistics system designed to streamline the flow of mail and packages throughout the United States, in a prompt, reliable, and efficient manner. While the business model itself has not changed, the Postal Service's plan has radically shifted from a "manage the decline" to a growth approach designed to achieve the business model outlined by Congress for many years to come. We are excited to continue

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with our Delivering for America Plan which enables the delivery of excellent service to the American people in a financially sustainable manner.
Below you will find the Postal Service's detailed feedback and requests for clarifications regarding the discussion draft's content for OIG review and consideration.

E-SIGNED by THOMAS.J MARSHALL
on 2025-02-21 16:44:09 EST

Thomas J. Marshall
General Counsel & Executive Vice President

E-SIGNED by LUKE.T GROSSMANN
on 2025-02-21 12:52:20 EST

Luke T. Grossmann
Chief Financial Officer & Executive Vice President

E-SIGNED by Steven.W Monteith
on 2025-02-21 14:39:22 EST

Steven W. Monteith
Chief Customer & Marketing Officer &
Executive Vice President

Attachment

cc: CARMManager@usps.gov
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Jean-Philippe Ducasse, Aaron Anfinson, Tristan Dreisbach, William Kimball, and Priscilla Lee contributed to this report.

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