Projecting Mail Volume: Future Trends and Implications for the Postal Service

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Executive Summary

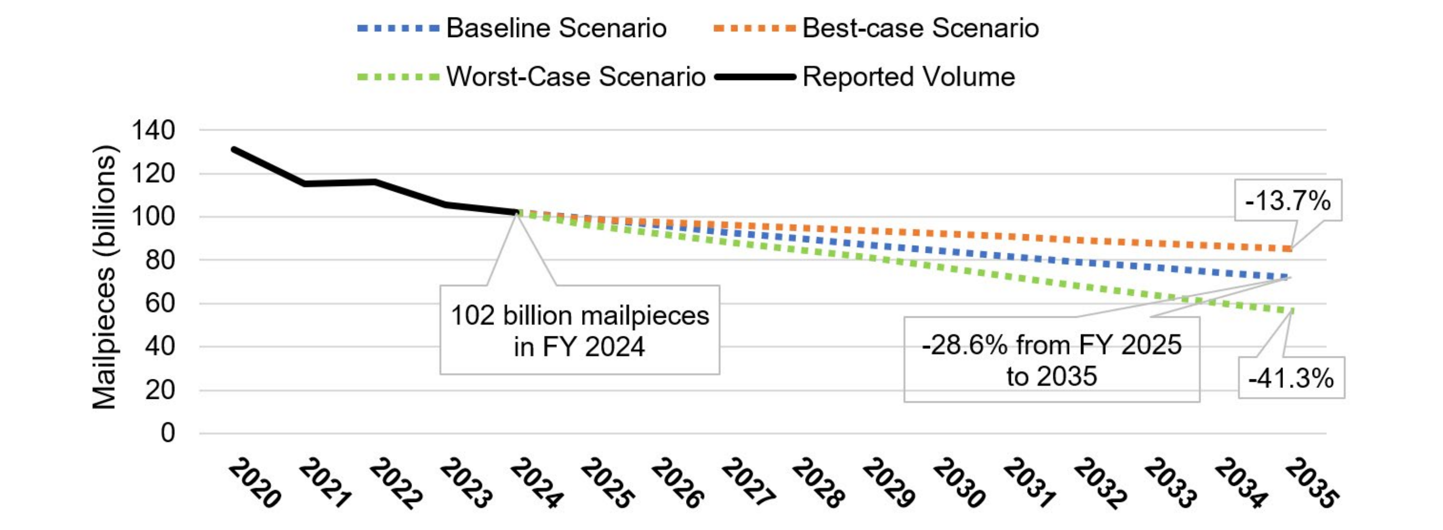
Market Dominant mail classes, including First-Class Mail, Marketing Mail, and Periodicals, are some of the primary services Americans associate with the Postal Service. These classes contain well-known products like letters, postcards, advertising mail, bills, magazines, and newspapers. While mail has been declining since 2006, and packages have dramatically grown over the same period, mail still accounts for about half of the Postal Service's revenue. The United States remains the world's largest market for mail and the Postal Service plays a key role in ensuring that all Americans receive essential communications and products regardless of their location. Americans depend on USPS to receive important communications like bills, jury summons, ballots, and government registrations.

However, the decline in mail volume in the last 10 years has been steep. This decline has been primarily caused by "electronic diversion," the replacement of physical mail with electronic alternatives, including the Internet, email, and text messages. Electronic diversion is driven not only by the availability of new technologies, but by changes in consumer preferences and technological skills. While typically less impactful than electronic diversion, macro-economic conditions, pricing, and service quality also impact the demand for mail. The severity of future declines in mail volume will have important impacts on the Postal Service's ability to meet its financial and operational obligations moving forward.

To project mail volume from 2025 to 2035 the U.S. Postal Service Office of Inspector General worked with WIK Consult to develop a simulation model based on the rate of economic growth and diversion of mail volume towards digital alternatives. The model projects mail volumes for the next decade in six separate scenarios across a range of Market Dominant mail segments, primarily focusing on First Class Mail and Marketing Mail. Scenarios in the model differ based on the rate of projected economic growth (low, steady, or high) and the rate of electronic diversion (steady or accelerated). The intent of the model is to convey the potential trajectories of mail volume over the next decade, and not to predict precise volumes for any given year. While the model's scenarios account for slow economic growth, it does not attempt to predict economic recessions, or other disruptions that could severely impact mail volume.

In a baseline scenario where current trends continue with steady economic growth and unaccelerated adoption of digital alternatives, combined First-Class and Marketing Mail volume is expected to decline 29 percent from 2025 to 2035, from 98.2 billion to 70.1 billion mailpieces. However, most other scenarios project a greater decline in volume than the baseline scenario. The best- and worst-case scenarios range from a relatively modest 14 percent decline to a much larger 41 percent decline in combined First-Class Mail and Marketing Mail volumes, while the baseline scenario sees a 29 percent decline in these two classes. The model also forecasts that First-Class Mail sent by individual customers will be harder hit by declines than First-Class Mail sent by businesses, and that Marketing Mail will continue to be more resilient in terms of volume than First-Class Mail in most scenarios.

Figure 1: Projected Volume for Combined First-Class Mail and Marketing Mail, FYs 2025 - 2035



Source: OIG and WIK analysis, OIG analysis of USPS Revenue, Pieces, and Weights (RPW) reports.

Even in the worst-case scenario, the U.S. will remain the largest mail market in the world. However, as the Postal Service looks to the future, preserving mail service and achieving financial sustainability in a world ever-more reliant on digital communication will be a growing challenge. Increasing delivery points and decreasing mail volume reduce the mail density of the USPS's delivery network, meaning that each individual mailpiece becomes more expensive to deliver. In its Delivering for America (DFA) plan, introduced in 2021, the Postal Service laid out numerous changes intended to allow the agency to achieve a positive net income by FY 2024.

Since this time, the Postal Service has frequently used its expanded pricing authorities for Market Dominant products, and revenue from both First-Class Mail and Marketing Mail increased from FY 2023 to FY 2024, despite continued volume declines. At the same time, mailers and the public have felt service impacts surrounding the roll-out of DFA network-related initiatives, which, according to mailers interviewed by the OIG for this paper, impact mail's value proposition and the effectiveness of mail campaigns. Overall, the agency's significant financial challenges persist, as it experienced $9.5 billion in net losses in FY 2024.

Americans will continue to depend on the Postal Service for essential communications and commerce. However, as traditional mail volumes continue to decline in the future and contribute less to the Postal Service's bottom line, significant actions may be needed to allow additional financial flexibility, save costs, or generate additional revenue. The Postal Service has stated that even with productivity improvements and effective use of its pricing authority, it requires further legislative and regulatory action to be financially sustainable. The agency has requested congressional action, including increasing the agency's debt limits, allowing expanded investment of retirement funds, reallocation of Civil Service Retirement System (CSRS)-related expenses, and changing the administration of workers' compensation. Of direct importance to Market Dominant mail, the Postal Service is pursuing changes to its service standards and has advocated for increased pricing flexibility for Market Dominant products. As these and potentially other proposals are considered alongside continued implementation of the DFA, the Postal Service's ability to ensure the affordability and reliability of mail service will be important to maintain its value proposition and prevent an acceleration in the decline of traditional mail volumes.

Observations

Introduction

Market Dominant mail primarily consists of First-Class Mail, Marketing Mail, and Periodicals. These classes of mail cover some of the most well-known products associated with the Postal Service such as letters, advertisements, and magazines. Even in the age of e-commerce and online shopping these products remain critical to the American public and the Postal Service's bottom line. Market Dominant mail accounts for roughly half of the Postal Service's revenue, bringing in about $43 billion of the agency's $81 billion in total revenue in Fiscal Year (FY) 2024. The two largest mail classes, First-Class Mail and Marketing Mail account for roughly 97 percent of Market Dominant product volume and 96 percent of Market Dominant revenue.

The objective of this white paper is to present several scenarios for trends in mail volume from FY 2025 to 2035. The scope of the paper is limited to First-Class Mail, Marketing Mail, and Periodicals, with most of the focus on First-Class Mail and Marketing Mail due to the high percentage of volume from these classes. In FY 2024, First-Class Mail accounted for 42 percent of Market Dominant mail volume and Marketing Mail accounted for 55 percent.

Market Dominant products are defined as products for which the Postal Service exercises sufficient market power that it can effectively set the price of such product substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products.[1] Because the Postal Service has a monopoly over these products, price increases are subject to a cap established by the Postal Regulatory Commission (PRC). The current price cap accounts for inflation as measured by the Consumer Price Index (CPI-U) along with pricing authorities tied to other Postal Service costs, including retirement obligations and the continued growth of its delivery points.

Examples of Market Dominant Mail Products by Class

First-Class Mail – both single-piece and presorted letters and cards, for example birthday cards, post cards, bank statements, or bills.

Marketing Mail – most types of advertisements, including circulars, newsletters, and even merchandise.

Periodicals – newspapers, magazines, and other informational publications.

For most of its history the Postal Service could rely on increasing mail volume to help cover the costs of a growing number of delivery points. However, the positive relationship between delivery points and mail volume has broken down in recent decades. While the number of delivery points served by USPS continues to increase on a year-over-year basis, total mail volume peaked in FY 2006 and has been decreasing since then.[2] Increasing delivery points and decreasing mail volume reduce the mail density of the USPS's delivery network, meaning that each individual mailpiece becomes more expensive to deliver. Declining volume and density have contributed to USPS running a net loss every FY since 2007. Over the last ten years volume for First-Class Mail, and Marketing Mail have declined by 30, and 28, percent each. Despite increases in revenue for both First-Class and Marketing mail in FY 2024, USPS reported $9.5 billion in net loss, with $1.8 billion of that figure considered "controllable" loss.[3]

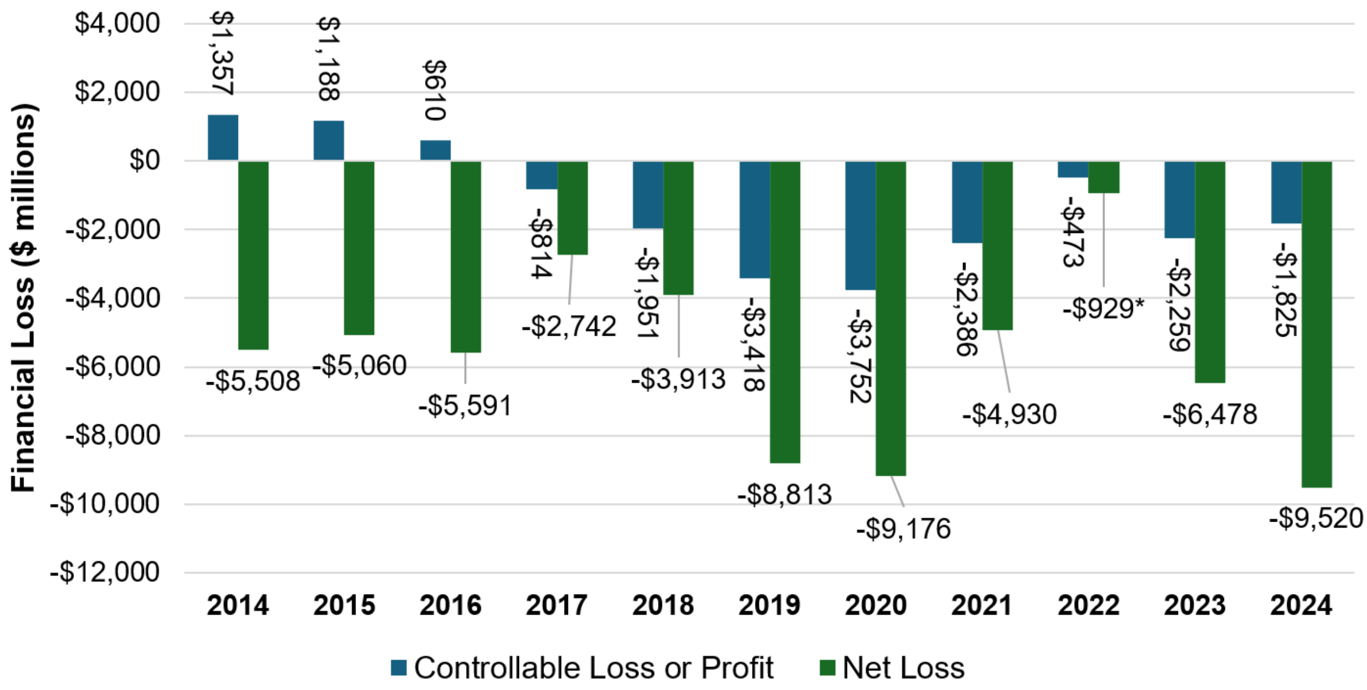
1 39 U.S.C. § 3642

2 For a more in-depth analysis of trends in Market Dominant mail volume between FYs 2008 and 2023, see: U.S. Postal Service Office of Inspector General (USPS OIG), *Analysis of Historical Mail Volume Trends*, Report Number RISC-WP-24-008, September 4, 2024, https://www.uspsoig.gov/sites/default/files/reports/2024-09/risc-wp-24-008.pdf.

3 The Postal Service reports controllable loss to exclude certain expenses that are not controllable by management. It is calculated as net loss adjusted for workers' compensation non-cash expense (benefit) caused by actuarial revaluation and discount rate changes, and the amortization of the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) unfunded liabilities.

Figure 2: USPS Net and Controllable Losses since FY 2015

THE POSTAL SERVICE HAS POSTED BOTH NET AND CONTROLLABLE FINANCIAL LOSSES EACH YEAR SINCE 2017



*This figure excludes the impact of the Postal Service Reform Act of 2022 on past-due Postal Service Retiree Health Benefits Fund obligations in FY 2022

Source: OIG analysis of USPS annual Form 10-K.

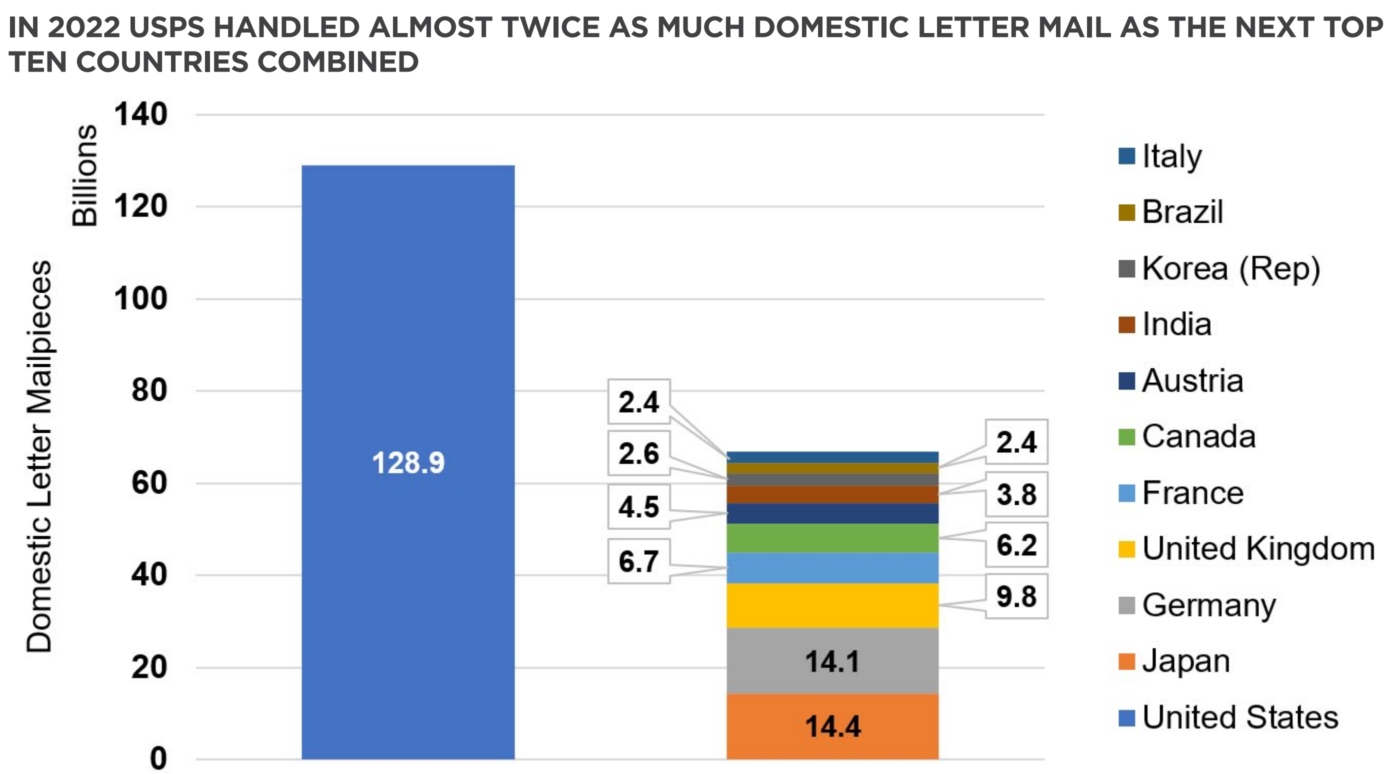
Even though the Postal Service's mail volumes have decreased, the United States remains the world's largest market for mail. In 2022, the Postal Service handled almost twice as much domestic letter mail as the next top ten highest volume countries combined. Americans also receive more pieces of mail per capita than citizens of almost any other country. Only one of the other top ten countries, Austria, saw more mail volume per person than the U.S. and citizens of most countries received less than half of the mail that Americans do on average.[4] Between the years 2000 and 2021, the Postal Service's share of global domestic mail volumes increased, highlighting the relative robustness of the U.S. mail market and its slower decline as compared to other countries.[5] In 2023, when accounting for differences in purchasing power, the Postal Service had the most affordable domestic letter prices out 31 countries analyzed in an OIG report.[6]

4 USPS OIG, *A Comparative Study of International Postal Models*, Report Number RISC-WP-25-001, February 27, 2025, https://www.uspsoig.gov/sites/default/files/reports/2025-02/risc-wp-25-001.pdf.

5 USPS OIG, *The Price of a Stamp: an International Comparison*, Report Number RISC-WP-24-004, March 28, 2024, https://www.uspsoig.gov/sites/default/files/reports/2024-03/risc-wp-24-004.pdf, pp. 4-5.

6 Ibid, p. 13.

Figure 3: 2022 Domestic Letter Mail Volumes by Country



Source: OIG analysis.

Millions of Americans rely on the Postal Service to provide essential services across the country. USPS's universal service obligation (USO) requires it to deliver mail to about 169 million addresses, six days a week, regardless of how remote the address or how profitable the delivery. Americans depend on USPS to receive important communications like bills, jury summons, ballots, and government registrations. USPS also helps to ensure that all Americans receive important packages such as medicine and other essential goods at their home.

As Market Dominant mail volume declines, one of the main focuses of the Postal Service has been the dramatic shift from traditional letter mail to package delivery, as stated in its Delivering for America Plan.[7] Unlike Market Dominant products, most packages are classified as competitive products and therefore not subject to a price cap.[8] While package volume and revenue have increased in recent years, these increases have not been enough to restore profitability to USPS.

Price increases can offset some of the lost revenue from decreases in volume, however price increases themselves can have a negative effect on volume and large mailers associations have cautioned that overzealous price increases could lead to a downward spiral in the mailing industry.[9] However, pricing is just one of many factors in decreasing mail volume.

What Influences Mail Volume?

A variety of factors influence the demand for mail products and the Postal Service's Market Dominant mail volume. The most important factor is electronic diversion, which put simply is the replacement of physical mail with digital alternatives. Other factors

7 U.S. Postal Service, *Delivering for America*, March 23, 2021, https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf, p. 2.
8 USPS Competitive products are not subject to a price cap but are subject to a price floor. The law requires Competitive products pricing cover their attributable costs and an appropriate share of institutional costs, as determined by the PRC.
9 For example, see Alliance of Nonprofit Mailers, *Alliance Alert – USPS Death Spiral Requires Immediate Actions by Regulator*, May 6, 2024 https://www.nonprofitmailers.org/alliance-alert-usps-death-spiral-requires-immediate-actions-by-regulator/; and, Association for Postal Commerce, *Reply Comments of the Association for Postal Commerce*, September 12, 2024, https://prc.arkcase.com/api/prc-dockets/filing/downloadFile?fileId=206885&inline=true, p.1.

such as macroeconomic conditions and the pricing and reliability of mail may also have significant impacts on mail volume, though technological change remains the primary driver.

Electronic Diversion

For First-Class Mail, Marketing Mail, and Periodicals alike the primary factor influencing demand is electronic diversion. Digital alternatives that allow for online correspondence, transactions, advertising, and media publication have all impacted the demand for mail, but the impact of electronic diversion is not the same across all Market Dominant mail classes and products. First-Class Mail has been more impacted by electronic diversion than Marketing Mail, but Periodicals, the smallest class of Market Dominant mail, has been hit the hardest out of the three largest Market Dominant classes

Electronic diversion of mail used for transactions and correspondence is the main factor in the decline of First-Class Mail. Businesses and consumers have increasingly turned to online statements and bill payment for its convenience and low cost. According to the Postal Service's Household Diary Survey, the number of bills that households sent and received by mail decreased by nearly two thirds between 2008 and 2023.[10] Use of First-Class Mail for correspondence has seen a continuous decline coinciding with the growth of electronic alternatives. The use of mail to send greeting cards, letters, or non-profit communications have all decreased. Likewise, advertisers have also turned away from using First-Class Mail as its advantages may not justify its cost compared to Marketing Mail and digital media.

Previous OIG reports found that that direct mail advertising is generally more effective than digital ads for recognition, brand recall, and the memory of details from ads.[11] Mail may be seen as more personal and is processed for a longer time than digital ads making it a strong choice for high-engagement and high-value items.[12] However, electronic diversion towards internet advertising channels such as paid search results, social media, and email campaigns has been a major cause of declines in Marketing Mail volume. Advertisers find that digital campaigns can be lower in cost, easier to set up, and provide more detailed analytics than direct mail campaigns. According to the Household Diary Study, direct mail advertising saw its share of total advertising media spending decrease by roughly half in the decade between 2013 and 2023.[13] Much of the decline in advertising mail has been driven by merchants (businesses advertising products towards consumers) turning towards other advertising media. While merchants were once the largest sender of advertising mail, they had fallen behind both the financial sector and non-profit and political mailers by 2023.

As with the two larger classes of Market Dominant mail, electronic diversion has also accelerated the decline of Periodicals volume. Online sources of news and entertainment have proliferated while subscriptions to magazines and newspapers have rapidly decreased.

Other Drivers of Mail Volume

Economic trends, pricing, and the speed and reliability of mail can also influence mail volume.

Macroeconomic Factors

Larger economic conditions outside the control of the Postal Service usually have overall limited impacts on demand for First-Class Mail and Marketing Mail. However, severe economic downturns can have serious impacts on demand for these products. For example, the Postal Service estimated that in the five-year period from 2008 to 2013, the Great Recession had a larger impact on both single-piece and workshared First-Class Mail volume than electronic diversion. Marketing Mail is more sensitive to economic conditions than First-Class Mail, largely because poor economic conditions can lead businesses to send less "prospecting" mail to

10 Postal Service management informed the OIG that data from the Household Diary Survey prior to 2011 used a different weighting methodology which limits comparability, and that future editions will be referred to as the Household Mail Survey.

11 USPS OIG, *Advertising Effectiveness and Age*, Report Number RARC-WP-19-001, February 25, 2019, https://www.uspsoig.gov/sites/default/files/reports/2023-01/RARC-WP-19-001.pdf.

12 USPS OIG, *Generation Z and the Mail*, Report Number RISC-WP-20-009, September 21, 2020, https://www.uspsoig.gov/sites/default/files/reports/2023-01/RISC-WP-20-009.pdf, p. 14, and USPS OIG, *Using Mail to Build Brands*, Report Number RARC-WP-18-013, September 5, 2018, https://www.uspsoig.gov/sites/default/files/reports/2023-01/RARC-WP-18-013.pdf.

13 U.S. Postal Service, *The Household Diary Study: Mail Use and Attitudes in FY 2023*, May, 2024, https://prc.arkcase.com/portal/docket-search/advanced/filing-details/129457, p. 43.

new potential customers and inflation reduces the spending power of advertising budgets.

Pricing

Pricing is a factor in mail volume for all Market Dominant products, though the magnitude of its impact varies based on the elasticity of demand. Demand for both Marketing Mail and First-Class Mail is considered inelastic by the Postal Service, meaning that a 1 percent change in their prices would be expected to produce a less than 1 percent change in the quantity demanded. In other words, an increase in price will result in an increase in revenue even after resulting volume declines. According to the Postal Service, demand for Marketing Mail is more sensitive to price changes than other classes of mail but is still relatively inelastic. Mailers groups interviewed by the OIG also argued that less stable and predictable prices can make it difficult to offer clear and competitive pricing to their customers.

Speed and Reliability

The speed and reliability of mail delivery may also impact the demand for mail. While the speed, or number of days until delivery, may be important for some mailers, many mailers are more concerned with how predictable and reliable delivery will be for planning purposes. For example, for commercial mailers, the timing of mail delivery can be key to capitalizing on current events and customer interactions. Mailers sending out physical advertisements in combination with larger multimedia campaigns may want their mailpieces to reach the customer in the same time frame as digital advertisements. However, for many mailers, such as non-profit mailers who depend on mail for fundraising, the chief concern may be that as high a percentage as possible of their mailings reach the intended target, prioritizing reliability and predictability over speed.

Recent Trends in Mail Volume

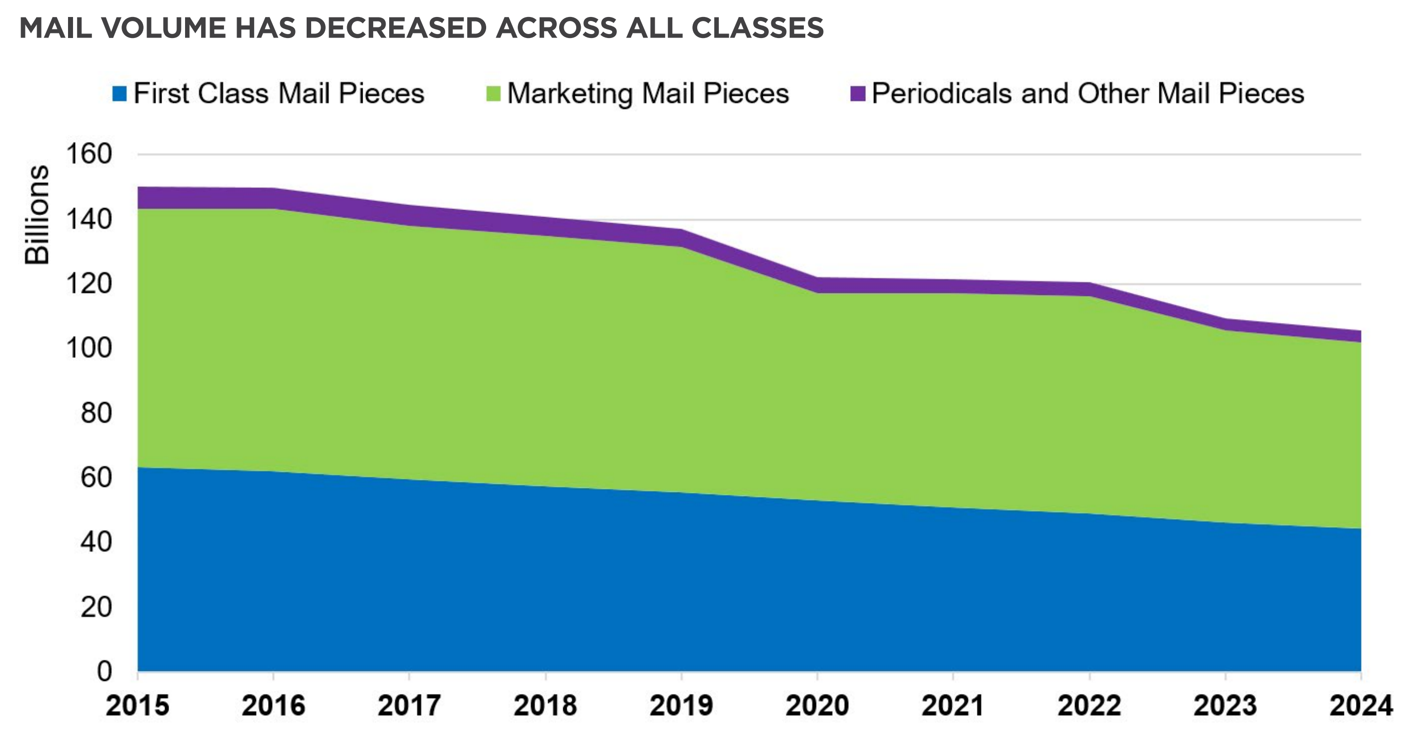
As discussed in the introduction, Market Dominant mail volume has been in decline for over a decade. During this time, most years have seen a small but steady decline in overall volume, punctuated by larger declines during the Great Recession and the COVID-19 pandemic. While revenue from mail has also declined, it has not declined to the same extent as volume because of changes to the ratemaking system that have provided the Postal Service with additional pricing authorities.

Trends

Over the past decade, overall Market Dominant mail volumes have decreased by 30 percent, with First-Class Mail declining by 30 percent, Marketing Mail by 28 percent, and Periodicals by 53 percent. In September 2024, the OIG published a white paper titled “Analysis of Historical Mail Volume Trends” analyzing trends in both volume and revenue for First-Class Mail, Marketing Mail, and Periodicals. The paper noted that declining mail volume “has decreased operating revenues and put strains on the Postal Service’s expansive network as people rely less on Market Dominant mail as an essential means of communication and transaction.”[14] Since the paper’s publication, the Postal Service has reported further declines in volume for First-Class Mail, Marketing Mail, and Periodicals alike. But in contrast to these volume declines, revenue from both First-Class Mail and Marketing Mail increased between FYs 2023 and 2024.

14 USPS OIG, *Analysis of Historical Mail Volume Trends*, Report Number RISC-WP-24-008, September 4, 2024, https://www.uspsoig.gov/sites/default/files/reports/2024-09/risc-wp-24-008.pdf, p.19.

Figure 4: Market Dominant Mail Volumes FYs 2015 - 2024



Source: OIG analysis of USPS Revenue, Pieces, and Weights (RPW) reports.

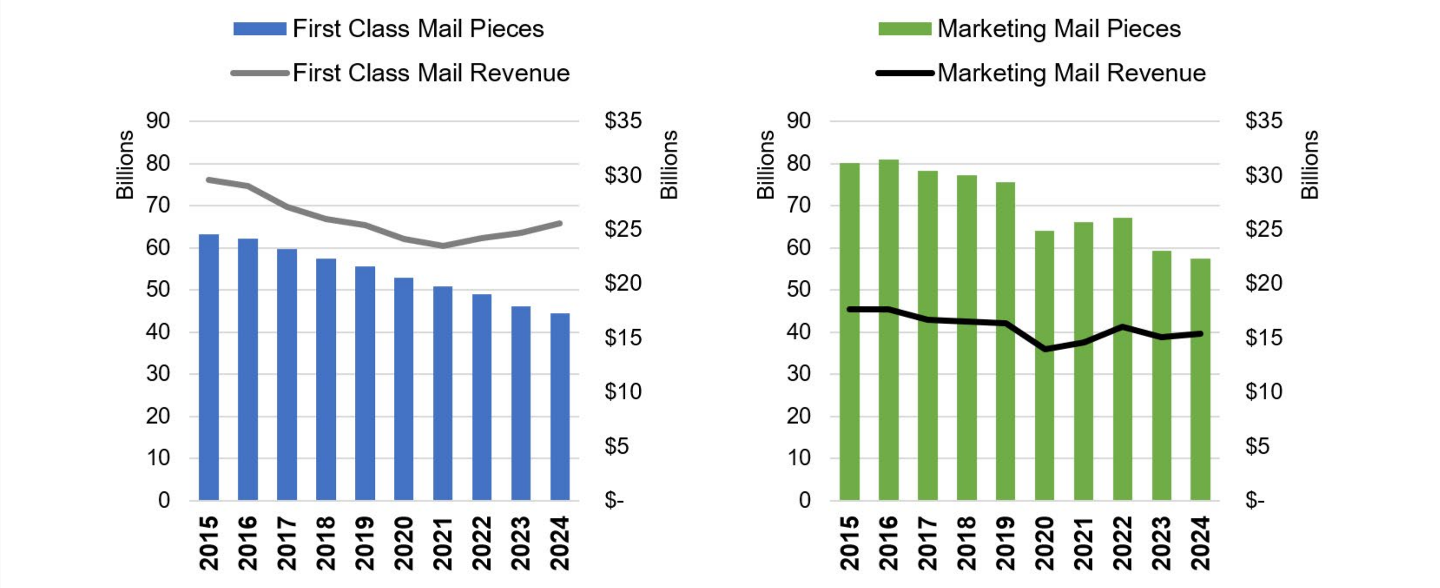
Volume and Revenue

Revenue from the Postal Service's Market Dominant mail products has declined along with volume, but the loss of revenue has been mitigated by additional price authorities available to USPS. The price cap established for Market Dominant products by the Postal Accountability and Enhancement Act (PAEA) in 2006 originally tied price increases directly to the rate of inflation as measured by the Consumer Price Index. However, the PRC amended the ratemaking system to provide USPS with additional authorities to raise prices above inflation twice since 2008. These authorities have included a special authority to counteract the impacts of the Great Recession, as well as current authorities, modified in November 2020, to account for costs outside of the Postal Service's control such as mandatory retirement benefits payments and decreasing mail density per delivery point.[15]

Even with these additional price authorities, revenue from Market Dominant mail has decreased by 14 percent over the past decade. This is less than half of the percentage decline in volume, but still represents a decrease of almost $6.8 billion in revenue before adjusting for inflation. Individually, First-Class Mail revenue and Marketing Mail revenue are both down by 13 percent since FY 2015. However, Market Dominant revenue has increased overall since the rate system was modified by the PRC in November 2020, despite the continued decline in volume during this period. See Figure 5 for volume and revenue trends for First-Class Mail and Marketing Mail since FY 2015.

15 The first of these authorities, an exigent rate increase the PRC granted above the price cap from 2014 to 2016, was a temporary increase of 4.3 percent on Market Dominant prices in addition to CPI-U.

Figure 5: Volume and Revenue for First Class and Marketing Mail FYs 2015 - 2024



Source: OIG analysis of USPS Revenue, Pieces, and Weights (RPW) reports.

Previous Projections

Past projections from the OIG have generally offered multiple scenarios for trends in volume. When retroactively comparing these projections with actual volumes, actual volumes typically fall somewhere between the baseline scenarios and the most pessimistic scenarios projected. Unlike this analysis, prior OIG projections have focused on smaller segments and categories within Market Dominant mail such as Marketing Mail (previously referred to as "Advertising Mail" and "Standard Mail"), transactional mail, and correspondence mail.

The Postal Service does not regularly publish projections for future mail volume beyond the next year, but it does publish an annual Integrated Financial Plan laying out mail volume expectations for the coming fiscal year, as well as demand equations with accompanying narrative explanations of demand for its Market Dominant products.[16] These equations estimate the effect of different variables on demand for Postal Service products. These demand equations are updated by the Postal Service and filed with the PRC annually and aim to explain past year changes in volume rather than predict those in the future.[17]

In its initial Delivering for America Plan, the Postal Service published projections for both total mail and package volume and Market Dominant revenue, but did not offer specific projections for Market Dominant mail volume or total mail volume without packages. Since the publication of the DFA, total mail and package volume has either been roughly in line with or exceeded projected volumes for its "base case" projected in the 2021 plan. Total Market Dominant revenue since FY 2020 has also been above projected figures. However, even with these successes, the Postal Service has not achieved the profitability targets set out in the DFA. An OIG audit of the Postal Service's financial condition found that even with higher-than-projected mail volumes, work hour reductions did not proportionally align with the volume decline as assumed in the Plan. Additionally, the OIG could not conclude how DFA initiatives' progress compared to projected savings because the Postal Service did not track the initiatives' progress back to the DFA plan, instead tracking to its annual Integrated Financial Plan.[18]

16 The Postal Service publishes expected mail volumes for the next fiscal year in its Integrated Financial Plans. See U.S. Postal Service, *Fiscal Year 2024 Integrated Financial Plan*, 2023, https://about.usps.com/what/financials/integrated-financial-plans/fy2024.pdf.

17 See U.S. Postal Service, *Narrative Explanation of Econometric Demand Equations for Market Dominant Products Filed with Postal Regulatory Commission on January 22, 2024*, May 1, 2024, https://prc.arkcase.com/api/prc-dockets/filing/downloadFile?fileId=201119&inline=true.

18 See USPS OIG, *State of the U.S. Postal Service Financial Condition*, Report Number 23-167-R24, June 21, 2024, https://www.uspsoig.gov/sites/default/files/reports/2024-06/23-167-r24.pdf, p.1.

Forecasting The Future

To predict how mail volumes may change over the next 10 years, the OIG worked with WIK Consult to develop a simulation model for Market Dominant mail volume. The model uses existing trends in economic conditions and postal data reported by USPS to forecast mail volumes from 2025 to 2035 for multiple segments of Market Dominant mail.

Methodology

The OIG and WIK model breaks down overall Market Dominant mail volume into segments and then estimates volume for each of these segments in six different scenarios. The model contains four mail segments used to project volume for First-Class Mail and one segment for Marketing Mail. The four segments within First-Class Mail are consumer to anyone (C-to-X), business to consumer correspondence (B-to-C correspondence), business to consumer transactions (B-to-C transactions), and business to business (B-to-B) mail. The B-to-B segment is the residual mail volume from the C-to-X segment and the two B-to-C segments. Marketing Mail is modeled as a single segment. The estimated size of each segment is based on data reported in the annual USPS Household Diary Survey and annual mail volumes reported by USPS. The intent of the model is to convey the potential trajectories of mail volume over the next decade, and not to predict precise volumes for any given year.

In contrast to the other scenarios, the baseline scenario uses a trend extrapolation method which relies solely on historical segment volume data and does not incorporate additional assumptions on elasticities and volume growth rates. The baseline projection is a forward projection based on historic growth rates of the mail segments used in the model. The simulation model used for the alternative scenarios requires the specification of various input parameters and assumptions, which are not part of the baseline approach.[19]

To project future mail volumes, the model takes these segments and estimates the impact of economic conditions and electronic diversion in each scenario. Each scenario differs in its assumptions for the strength of the economy and the impact of electronic diversion. Additional inputs are used to estimate the impact of population growth, postal price increases, and elasticity of demand.

For further details and a more in-depth explanation of the forecasting model and inputs, please see Appendix B.

Scenarios

The six scenarios used to estimate mail volume are differentiated by two factors: the level of projected economic growth (high, steady, or low) and rate of electronic diversion (steady or accelerated). For both economic growth and electronic diversion, the "steady" state can be seen as a simple projection of future trends based on recent averages. The high, low, or accelerated states manipulate variables within the model to project changing trends over the next decade. The model does not estimate the likelihood of any scenario occurring.

The results of the model are annual projections for mail volume in each of the six scenarios for every year from FY 2025 to 2035. Detailed results of the model are available in Appendix C, while highlights and further details of each scenario are featured in the next section.

Impact of Economic Growth

Scenarios with accelerated economic growth assume low inflation rates, increased population growth, thriving global trade, and a boost in productivity from AI and other new technologies. Scenarios with low economic growth instead assume that the next decade will see increased trade conflicts and protectionism, high inflation rates, and low population growth. The scenarios with steady economic growth assume moderate inflation rates, occasional but not severe supply chain disruptions, no major technological disruptions, and population growth continuing at current rates.

19 Because of this approach, the baseline scenario features a periodicals segment used to estimate total Market Dominant mail volume. This segment is only included in the baseline scenario and is shown in Appendix C as well as Figure 6. The simulation model used to create projections for other scenarios does not include assumptions or parameters for periodicals.

Other Assumptions and Limitations

The main limitation of the OIG and WIK model is that it is designed to forecast changes in mail volume, but not the associated changes in revenue. First-Class Mail and Marketing Mail both contain several constituent products with their own pricing and elasticities. Because our model projects mail volumes for classes and segments, not individual products, it is not suited to detailed revenue projections. The aim of the model is to understand the potential extent of volume declines and overall implications, not to estimate specific impacts on revenue. The model is also not probabilistic, meaning that it is not intended to compare which scenarios are most likely or to estimate the likelihood of any scenario occurring.

A major assumption that also limits the predictions of the model is that there will not be a recession or any "black swan events" that create major economic disruptions in the next decade. These highly disruptive events, such as the Great Recession or the COVID-19 pandemic, are difficult to predict but have an outsized impact on mail volume. For example, nearly 40 percent of the decline in mail volume between fiscal years 2008 and 2023 occurred in the two years most affected by the recession and the pandemic. A similar economic disruption could lead to declines in mail volume even further than those in our "worst-case" scenario, which still assumes slowed but steady economic growth. Additionally, our projections do not assume or adjust for any future changes in USPS service performance standards or the PRC's price cap methodology which could influence mail volumes.

Results and Projections

The OIG and WIK model predicts a wide range in the potential levels of Market Dominant mail decline from 2025 to 2035. The baseline scenario predicts a 29 percent decline in combined First-Class and Marketing Mail volume, falling from 98.2 billion pieces in 2025 to 70.1 billion pieces by 2035. The best- and worst-case scenarios range from a relatively modest 14 percent decline to a much larger 41 percent decline in combined First-Class Mail and Marketing Mail volumes from 2025 to 2035, falling from 102 billion pieces in 2024 to 85.4 billion in the best case and 56.6 billion pieces in the worst case.[20] The model also predicts that segments of First-Class Mail used more by individual consumers will be harder hit by declines than segments of First-Class Mail primarily used by businesses, and that overall First-Class Mail volume will continue to decline at a faster rate than Marketing Mail in most scenarios.

While these are potentially significant declines, the U.S. mail market remains the largest and most resilient in the world. For example, the worst-case scenario still sees the Postal Service handling about four times as much mail in 2035 as the world's next second busiest post did in 2022. This demonstrates that despite declines, mail will remain a significant tool for communications and transactions for Americans.

Forecasts by Scenario and Segment

Projections for future mail volume change significantly by scenario and segment. In general, scenarios where the rate of electronic diversion remains steady see less decline than scenarios with accelerated electronic diversion. However, the model still projects declining mail volume in all scenarios. For the full results of the model featuring annual mail volumes broken out by scenario and segment, see Appendix C.

20 In FY 2024 these two classes accounted for about 97 percent of total Market Dominant mail volume.

Table 1: Scenarios for Mail Volume Projections

Electronic Diversion	Economic Growth	Scenario	Projected FCM and MM Growth FYs 2025-35*	Projected FCM and MM Volume in FY 2035 (billions)
Steady	Accelerated	**Best-case** Steady diversion and accelerated growth	-13.7%	85.4
Steady	Steady	**Baseline**** Steady diversion and steady growth	-28.6%	70.1
Steady	Slow	Steady diversion and slow growth	-26.3%	72.1
Accelerated	Accelerated	Accelerated diversion and accelerated growth	-29.8%	68.5
Accelerated	Steady	Accelerated diversion and steady growth	-37.2%	60.9
Accelerated	Slow	**Worst-case** Accelerated diversion and slow growth	-41.3%	56.6

*FCM = First-Class Mail, MM = Marketing Mail.

**The baseline scenario is based on a continuation of historical trends and differs methodologically from the simulation model used to create projections for the other scenarios. It is included primarily for illustrative purposes, to provide a starting point in the absence of changing trends, and is not directly comparable to the simulation-based projections.

Source: OIG and WIK analysis.

Steady Diversion Scenarios

Scenarios with steady diversion assume that the rate of electronic diversion will remain constant over the next decade. These scenarios assume that consumers will continue to be incentivized by businesses to use digital communications, but that there will be relatively little pressure from the public sector to adopt e-government initiatives or online services. These scenarios also assume that there will be no major disruptions in the mailing industry from artificial intelligence (AI) technologies and that companies will be slower to implement AI-driven customer communications.

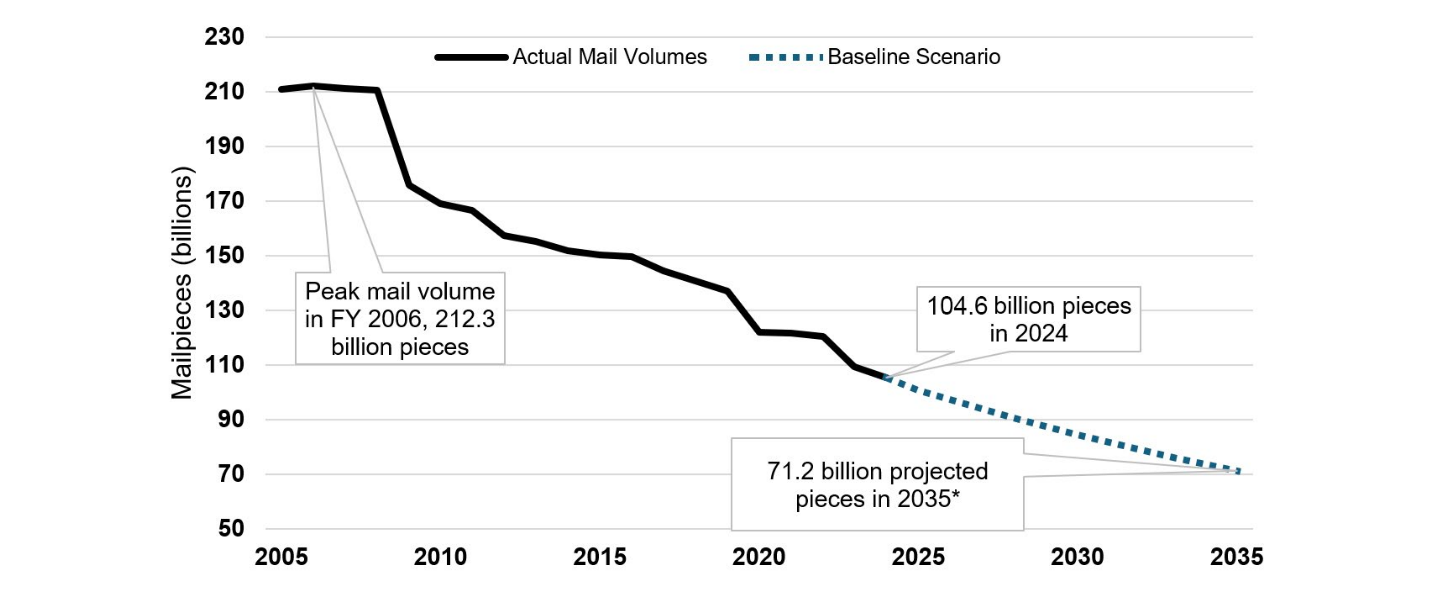
Scenarios with steady electronic diversion generally see lower declines than scenarios where electronic diversion is accelerated because of technological change and consumer preferences.

The Baseline Scenario

The baseline scenario assumes both a steady rate of economic growth and steady rate of electronic diversion, essentially a continuation of recent trends in these variables and does not incorporate additional assumptions on elasticities and growth rates used in the other scenarios. Referring to this scenario as a baseline is meant to convey a continuation of current trends, not to assert that this is the most likely scenario.

The baseline scenario for the model's projections sees a 29 percent decline in Market Dominant mail volume from 2025 to 2035 along with a corresponding 32 percent decline in First-Class Mail volumes and a 26 percent decline in Marketing Mail volumes.

Figure 6: Market Dominant Mail Volumes Since FY 2005 and Baseline Projections



*This chart includes First-Class Mail, Marketing Mail, and Periodicals volumes. Periodicals are excluded from Table 1 above and other figures in this paper to allow for consistent comparison between all six scenarios.

Source: OIG and WIK analysis, and OIG analysis of USPS Revenue, Pieces, and Weights (RPW) reports.

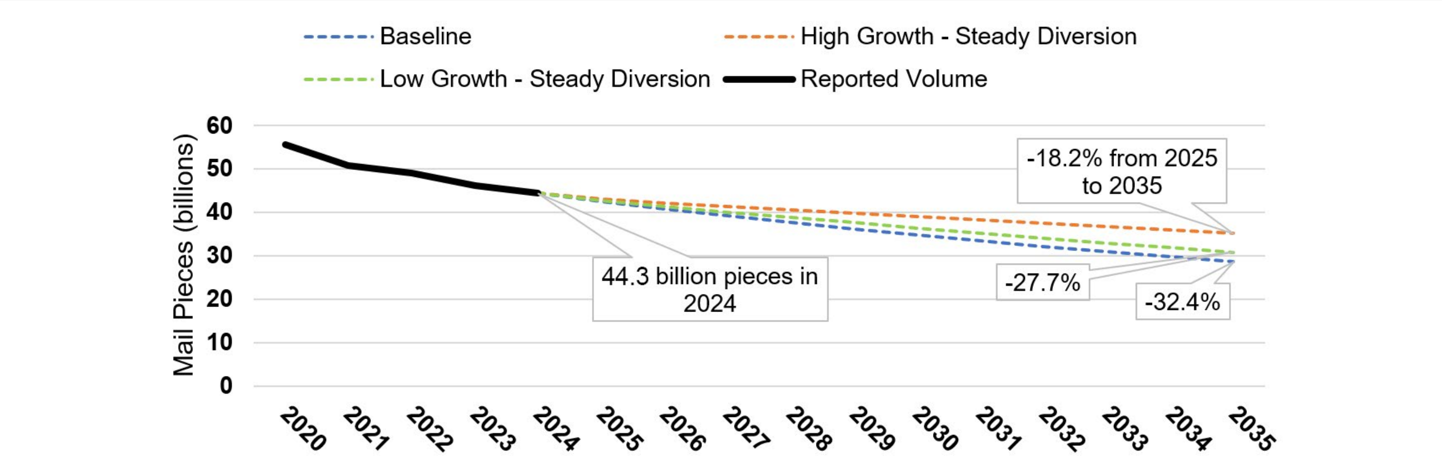
__Other Steady Diversion Scenarios__

A low growth and steady diversion scenario projects a 28 percent decline in First-Class Mail volumes and a 25 percent decline in Marketing Mail volumes from FY 2025 to 2035. These declines are roughly similar to the 28 percent projected decline in total mail volume in the baseline scenario.

A best-case scenario could see an 18% decline in First-Class Mail and 10% decline in Marketing Mail volumes over the next decade.

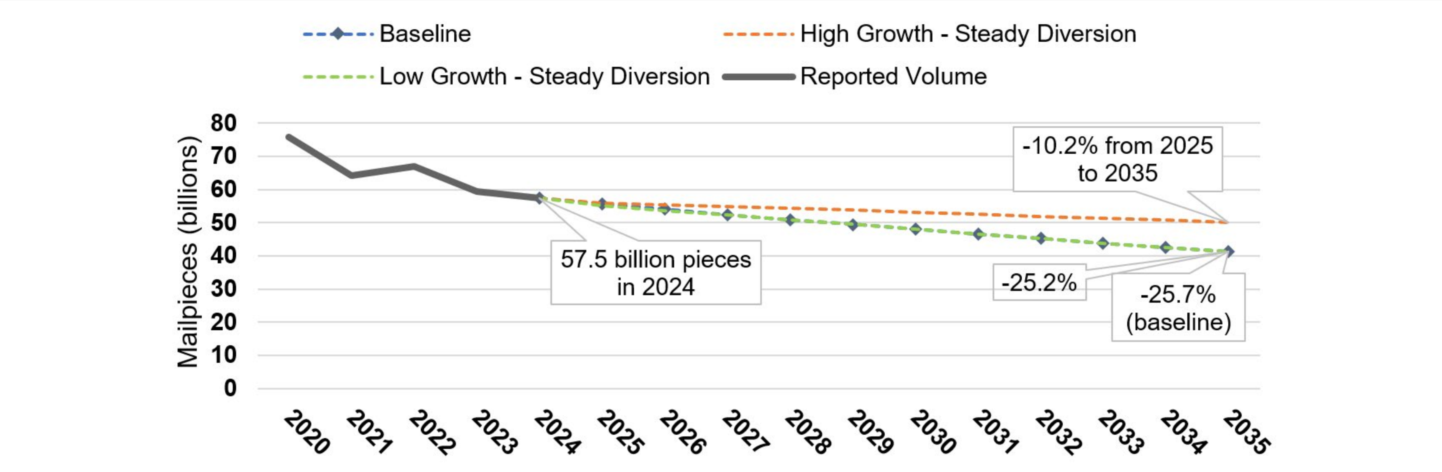
A high growth and steady diversion scenario projects to be the best-case scenario for the Postal Service, seeing only 18 percent and 10 percent declines in First-Class and Marketing Mail volumes respectively. This scenario would require stronger economic growth than has been the case in recent years, along with a lack of new technological developments that disrupt the postal industry or speed up electronic diversion. Given the strong connection between technological development and economic growth, this may be unlikely.

Figure 7: First Class Mail Volumes with Steady Diversion



Source: OIG and WIK analysis, and OIG analysis of USPS Revenue, Pieces, and Weights (RPW) reports.

Figure 8: Marketing Mail Volumes with Steady Diversion



Source: OIG and WIK analysis, and OIG analysis of USPS Revenue, Pieces, and Weights (RPW) reports.

Accelerated Diversion Scenarios

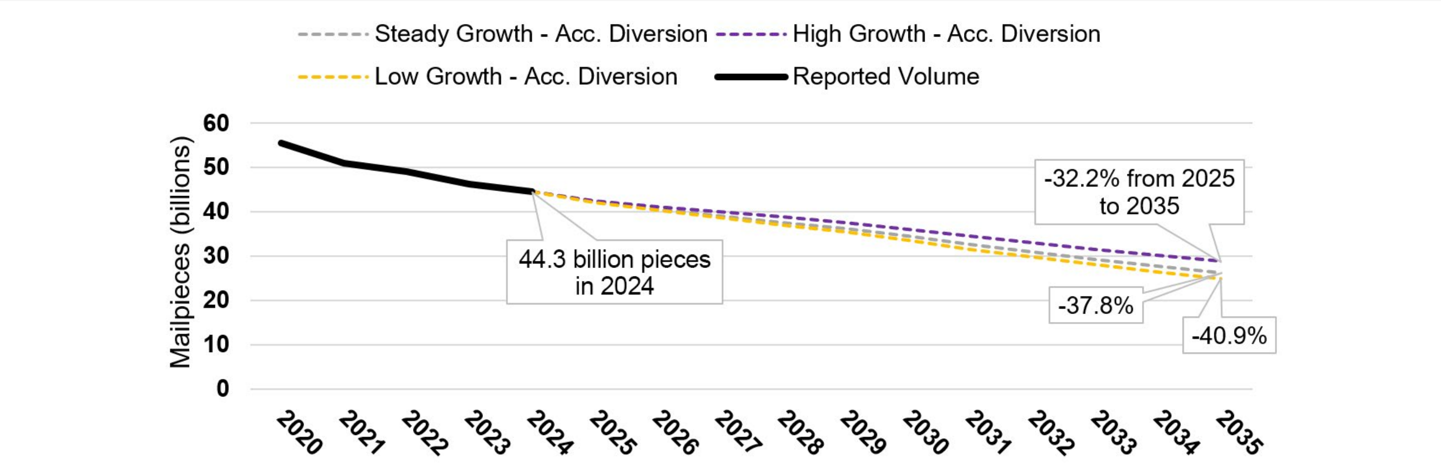
Scenarios where electronic diversion accelerates its disruption of the mailing industry assume faster development of new technologies and equally fast changes in user attitudes towards those technologies. These scenarios would be the result of trends such as rapid improvements in digital services driven by AI and new digital services enabling better targeting of specific groups with communications and advertising. These scenarios would also require increased reliance on digital communications in everyday life and a new generation of business leaders keen to drive digital solutions.

Scenarios where new technologies and changing consumer preferences accelerate the rate of electronic diversion are generally less favorable to the Postal Service, typically outpacing the 29 percent decline in mail volume projected for the baseline scenario. The scenario with steady growth following historical trends but accelerated diversion sees a 38 percent decline in First-Class Mail and a 37 percent decline in Marketing Mail. A scenario with high growth somewhat mitigates the effects of increased diversion, seeing 32 percent and 28 percent declines instead.

A scenario with slow economic growth and accelerated electronic diversion is the worst case for the Postal Service. Under these conditions, the model projects a 42 percent decline in Marketing Mail and a 41 percent decline in First-Class Mail. While this scenario is the worst case among those projected by our model, it still represents a relatively stable decline spread out evenly across the coming decade.

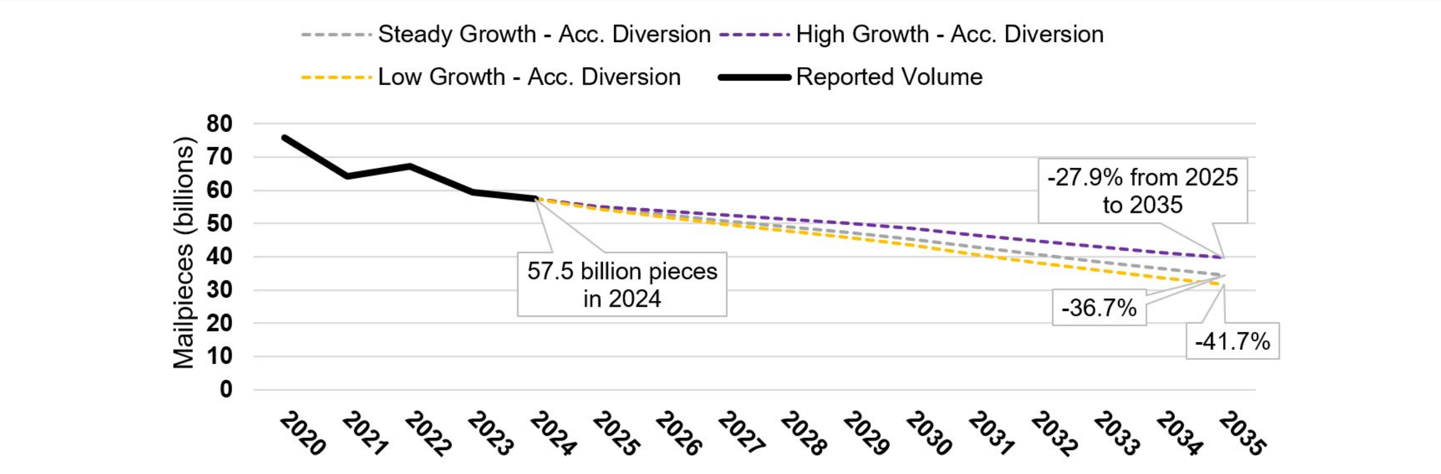
A worst-case scenario could see a 42% decline in Marketing Mail and 41% decline in First Class Mail volumes over the next decade.

Figure 9: First Class Mail Volumes with Accelerated Diversion



Source: OIG and WIK analysis, and OIG analysis of USPS Revenue, Pieces, and Weights (RPW) reports.

Figure 10: Marketing Mail Volumes with Accelerated Diversion

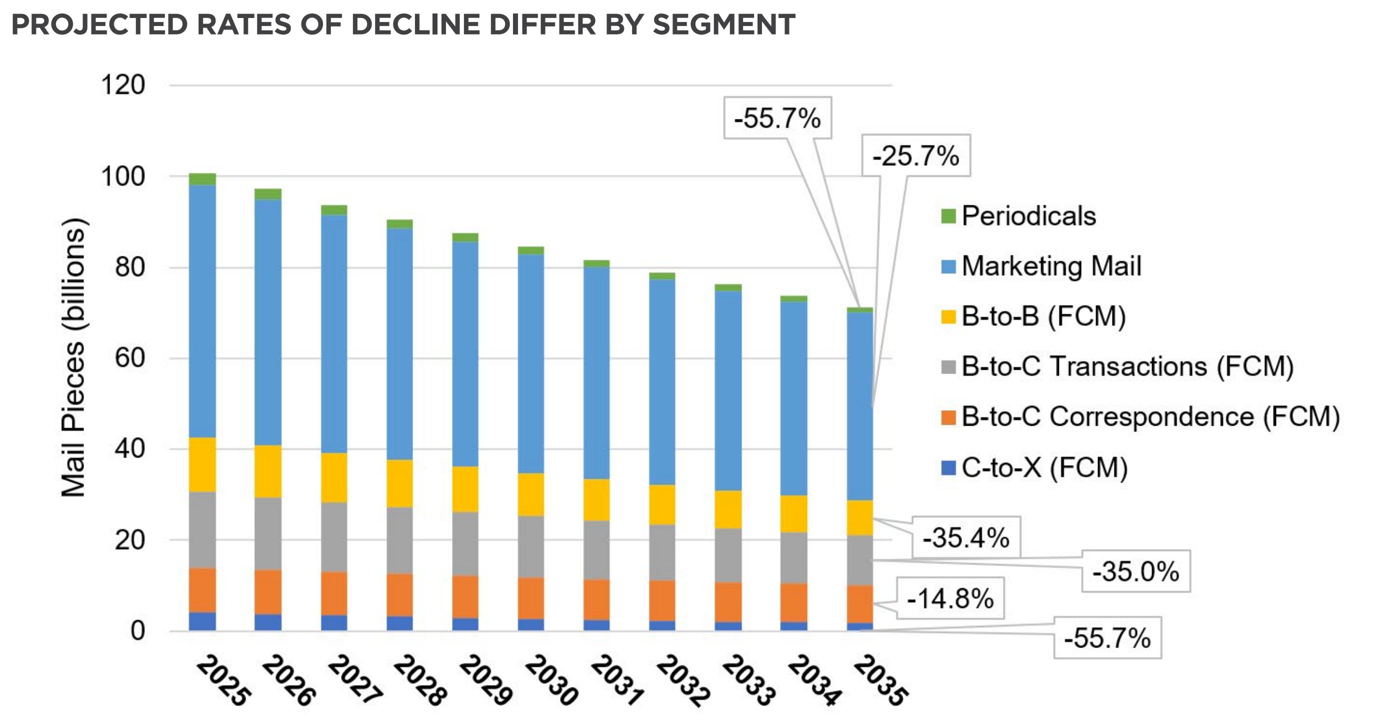


Source: OIG and WIK analysis, and OIG analysis of USPS Revenue, Pieces, and Weights (RPW) reports.

Forecasts by Segment

A deeper look into the segmented results of the baseline scenario underscores the potential resilience of Marketing Mail and business-to-consumer correspondence mail as compared to other segments of Market Dominant mail. Among the four segments of First Class-Mail, B-to-C correspondence (mail sent by businesses to deliver communications) projects to be by far the most resilient. The model projects First-Class Mail sent by individual customers to face the sharpest decline among categories of First-Class Mail and could fall by over half if trends follow those in the baseline scenario.

Figure 11: Projected Mail Volumes by Segment (Baseline Scenario)



Source: OIG and WIK analysis.

Implications of Future Mail Volume Declines

Over the past two decades, declining mail volume has significantly impacted the Postal Service's finances and operations. Yet, Americans continue to rely on the Postal Service to connect all parts of the country for essential communications and commerce. With fewer mail pieces delivered to a growing number of delivery points, mail density has declined which results in an increased cost per delivery. The decline of traditional mail and the rising demand for package delivery, driven by e-commerce, have contributed to the consolidation or repurposing of facilities and modifications to the transportation network and delivery vehicles to respond to changing volume patterns. In an effort to manage costs and operations, USPS has altered service standards, leading to longer delivery times for certain types of mail. Overall, these changes reflect some of USPS's efforts to adapt its network to shifting mail trends, while balancing service obligations and financial sustainability.

However, in all six projection scenarios, mail volume is expected to continue declining over the next ten years. As declines persist, the Postal Service will be less able to rely on traditional letter mail for financial sustainability. In addition to volume and density declines, the Postal Service faces growing expenses in other areas such as labor costs and retiree benefits. Even with improvements in productivity and maximum use of available pricing authorities, challenges to long-term financial sustainability remain.

DFA Increased Market Dominant Revenue but Impacted Service

The DFA plan established strategies to increase both Market Dominant and competitive revenue, among other initiatives. As previously noted, the Postal Service has increased revenue by using additional pricing authority for Market Dominant products granted by the PRC in November 2020. This pricing strategy has thus far proven effective for increasing Market Dominant revenue since 2021, even while volume declined. For example, First-Class Mail revenue increased 9.2 percent while volume fell 12.6 percent. Revenue growth from competitive products has been more modest as package volume declined after pandemic-related surges in FYs 2020 and 2021. Package revenue increased just 0.8 percent from FYs 2021 to 2024 while volume fell 4.3 percent.

While both the original Delivering for America Plan and the 2024 Delivering for America 2.0 - Fulfilling the Promise update include strategies for preserving and increasing revenue, the broader plan prioritizes growing the agency's package business through various operational changes. Changes include shifting away from air transportation in favor of ground, restructuring of the Postal Service's network of processing facilities, introduction of the USPS Ground Advantage package product, and reducing local transportation at post offices located farther from processing facilities. According to the Postal Service, network restructuring will improve the service performance of both mail and packages while reducing costs.

However, the roll-out of some network changes had a significant negative impact on service performance, such as the new Regional Processing and Distribution Center (RPDC) in Atlanta, GA, which opened in February 2024. An August 2024 OIG audit of the new facility noted that that First-Class Mail service performance fell to a low of 36 percent after the facility opened. While service rebounded by June 2024, it was still below published service performance targets.[21] There were also significant impacts on service following the launch of the Richmond, VA RP&DC in July 2023, which lasted for four months.[22]

Reliable Mail Service Can Help Prevent Steeper Volume Losses

According to mailers the OIG interviewed, reliability of service is one of the primary factors driving mail's value proposition. When service reliability is high, mailers can more effectively design and execute successful campaigns. Unreliable service can undermine a mailer's investment in a campaign, such as an advertising mailpiece that arrives after the advertised sale is over. In the words of one mailing industry representative, reliability is key because "you can plan a campaign knowing it will hit in-home when you need it to". When discussing potential reforms or service changes to address financial challenges, another industry representative stated that "we are flexible, as long as there is consistency and as long as we know when stuff will get there". If service performance is unpredictable and unreliable – especially as prices rise – mailers may choose to send less mail, accelerating volume declines. Mailers also stated that price increases needed to be predictable in magnitude and not overly frequent in order to allow them offer competitive prices to their customers.[23]

As the Postal Service looks to the future, the agency and Congress will need to consider how to balance mail service and financial sustainability in a world increasingly reliant on digital communication. Significant action may be needed to allow additional financial flexibility, reduce costs, or generate additional revenue. The Postal Service has stated that even with productivity improvements and increased pricing authority, it still requires further legislative and regulatory action to achieve its mandate to be self-sustaining.[24] In recent years the Postal Service has requested that Congress increase the USPS debt limit, allow the agency to invest retirement funds in stocks and bonds, correct Civil Service Retirement System overpayments, and change the administration of workers' compensation programs.[25] All of these reforms require congressional action. The Postal Service has also advocated for eliminating the price cap, which would require action by the PRC.

21 USPS OIG, *Effectiveness of the New Regional Processing and Distribution Center in Atlanta, GA,* Report No. 24-074-R24, August 28, 2024, https://www.uspsoig.gov/sites/default/files/reports/2024-08/24-074-r24.pdf, p. 7.
22 The audit also found that the Postal Service had stabilized operations and service at the Richmond RPDC, achieving over $21 million in savings in workhours and transportation costs for fiscal year 2024. However, the audit notes continued challenges with leadership instability, aligning transportation schedules, completing required trailer scans, integrating operations in the region, and low employee availability. These issues contributed to over $2.3 million in questioned costs. USPS OIG, *Network Changes - Progress on Improvements at Richmond, VA, Regional Processing and Distribution Center*, Report No. 24-152-R25, January 27, 2025, https://www.uspsoig.gov/sites/default/files/reports/2025-01/24-152-r25.pdf.
23 Postal Service management disputed to the OIG assertions that price increases have been unpredictable in magnitude and overly frequent. USPS stated that the semiannual implementation of price increases for Market Dominant products is a new measure to most effectively use the pricing authority granted by the PRC, and to minimize the deleterious impacts of high inflation on the Postal Service. Additionally, USPS stated that the decision to exercise price increases is duly considered based on a range of factors.
24 USPS, *2024 Report on Form 10-K*, November 14, 2024, https://about.usps.com/what/financials/10k-reports/fy2024.pdf, pp. 15-16.
25 The Postal Service also has requested the reconsideration of withdrawal and mortality assumptions for retiree pension liability calculations.

More within the Postal Service's direct control is the adjustment of service standards and pricing strategies for each mail class. Considering the mailing industry's prioritization of service reliability, the Postal Service's ability to achieve reliability within published service standards will be important to avoiding accelerated mail volume losses and preserving revenue. Even if USPS chooses to revise service standards in conjunction with efforts to improve its network and ensure financial sustainability, dependably meeting modified standards and targets will help maintain the value proposition of mail and preserve volumes.[26]

Conclusion

Market Dominant mail products such as First-Class Mail are a significant contributor to the Postal Service's bottom line, accounting for about half of USPS revenue in FY 2024. However, demand for Market Dominant mail peaked in FY 2006 and declined by more than 50 percent by FY 2024, from 212 billion pieces to 106 billion pieces. In the past ten years, volume has declined for all classes of Market Dominant mail significantly impacting USPS' finances and operations. This decline has led to lower mail density and increased the cost per delivery, driving changes in the processing and transportation network, alterations to service standards, and price increases to offset mail revenue losses. Despite the decline, America remains the world's largest market for mail. However, further declines in volume are expected over the next decade. The extent of future volume losses depends on multiple factors, including overall economic trends, electronic diversion, pricing, and service quality.

Taking two of these factors into account – economic conditions and electronic diversion – the OIG developed six scenarios projecting future Market Dominant mail volume from FYs 2025 to 2035. The baseline scenario sees a 29 percent decline in combined First-Class and Marketing Mail volume, falling to 70.1 billion mailpieces by 2035. Projected declines ranged from 14 percent in the best-case scenario to 41 percent in the worst-case scenario. Even in the worst-case scenario the United States remains the world's largest market for mail. Still, continued volume losses will have significant implications for the Postal Service's financial condition and operations. The Postal Service's Delivering for America plan laid out plans to achieve a positive net income by FY 2024 by growing the package business and cutting costs, but thus far the agency's revenue has not increased enough to keep pace with its rising expenses.[27]

Even with the declines in traditional mail, Americans will continue to depend on the critical services provided by the Postal Service. However, planning operations to efficiently respond to volume shifts and preserving affordable and reliable mail service as volume losses continue will become an increasing challenge. The Postal Service has requested congressional action to increase its debt limit, invest retiree assets, and adjust the allocation of CSRS expenses. The agency is also pursuing changes to its service standards and has advocated for the elimination of the price cap for Market Dominant products. Amidst these potential reforms and the continued implementation of the DFA, ensuring the affordability and reliability of mail service will be important to maintaining mail's value proposition and preventing an acceleration in the decline of traditional mail volumes.

Summary of Management's Comments

USPS highlights its commitment to adapting to changing customer needs and market trends, and offers observations on the projection methodology, suggesting areas for clarification.

Specifically, USPS observes that in some modeled scenarios—such as those with steady economic growth and accelerated diversion, or low growth and steady diversion—mail volumes appear higher

26 On October 4, 2024, the Postal Service requested an advisory opinion from the PRC on changes to its service standards in conjunction with its Delivering for America plan. See USPS, *United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services*, October 4, 2024, PRC Docket No. N2024-1, https://prc.arkcase.com/api/prc-dockets/filing/downloadFile?fileId=209306&inline=true. On adjustments to its service performance standards and targets, USPS stated that 95 percent service performance targets are not an immediate, but a long-term goal, as it "seeks a network in which this goal can be achieved in a financially and operationally sustainable manner." USPS noted that "[i]n the meantime, we will set appropriate service performance targets that reflect the capabilities of our current network, including with respect to our targets for FY 2025." USPS, *Reply Brief of the United States Postal Service*, December 26, 2024, PRC Docket No. N2024-1, https://prc.arkcase.com/api/prc-dockets/filing/downloadFile?fileId=233253&inline=true, p. 11.

27 The Postal Service has argued that it did not achieve breakeven status largely due to factors beyond its control, including expenses resulting from high inflation and the inability to achieve CSRS reform.

than in the baseline scenario. Since this may seem counterintuitive, USPS suggests to further clarify these outcomes. They note that the baseline and simulation scenarios are built using different projection methods and suggest clarifying the implications of using different projection methodologies in the report.

In some simulation scenarios, Marketing Mail is modeled with a price elasticity of -1, meaning price increases are assumed to result in proportionate volume declines, leading to no change in revenue. USPS notes that in operational practice, pricing decisions typically consider expected revenue outcomes, and that this modeling assumption may not fully reflect those considerations.

USPS disagrees with the OIG's statement that broader economic conditions usually have overall limited effects on First-Class and Marketing Mail demand.

Finally, USPS notes that the report does not address the cyclical impact of Political and Election Marketing Mail, which can significantly increase overall Marketing Mail volume during election years—such as FY 2024, which is used as the baseline for projections.

Evaluation of Management's Comments

The OIG is careful to note in the report that the analysis is not based on an econometric model intended to predict exact volumes. Rather, the goal is to highlight broader trends and illustrate how different assumptions about the economy and electronic diversion may influence future volumes. We also note in several parts of the paper that the baseline scenario is developed using a different methodology than the simulation model used to create projections for the other scenarios. Moreover, we added a statement under Table 1 that highlights that the baseline scenario is based on a continuation of historical trends and differs methodologically from the simulation model used for the other scenarios. The baseline scenario is included primarily for illustrative purposes and as a baseline using prior volume trends and is not directly comparable to the simulation-based projections. These methodological differences help explain the outcomes that USPS has identified as counterintuitive. The report focuses on the directional differences between scenarios, rather than specific volume forecasts for specific segments in any given year.

The Postal Service raises a valid concern about increased price sensitivity (elasticity) in Marketing Mail volumes under some projected scenarios. However, the model is not intended to predict USPS's actual pricing strategy, but rather to test a more price-sensitive scenario that could arise under certain future conditions—such as increased digital substitution or changing customer behavior. It is used only in select scenarios during the 2030–2035 period to illustrate how Marketing Mail volumes might respond to greater price sensitivity.

The OIG also recognizes that larger economic trends, particularly severe downturns, can significantly impact mail volume, and we reference this throughout the report. Our simulation model does not include an explicit variable for such downturns, and we emphasize that, over time, electronic diversion has been a more consistent and substantial driver of volume decline than economic fluctuations. Our intent is not to downplay the role of economic conditions, but to highlight that long-term shifts toward digital communication have been a dominant force shaping mail volume trends.

The OIG did not specifically exclude or remove Political and Election Marketing Mail volumes from the analysis; these volumes were included within the data used to create both the baseline projection and the simulation model. The OIG acknowledges that the model does not make adjustments for the cyclical nature of Political and Election Marketing Mail to account for annual variations due to election season increases in volumes. However, as noted above, our model is intended to show potential broader volume trends over the next decade and is not designed to predict mail volumes for individual products or to provide volume forecasts for individual mail segments in a given year.

Appendices

Appendix A: Additional Information

Objectives, Scope, and Methodology

The objectives of this white paper were to 1) develop alternative scenarios and projections for mail volume from 2025 to 2035 based on assumptions of future trends, and 2) assess the potential business implications and policy questions for the Postal Service if volume changes as projected in each scenario and continues to decline.

The scope of this project is Market Dominant mail products, including First-Class Mail, Marketing Mail, and periodicals. The OIG projected future volumes for FYs 2025 through 2035. Competitive products such as packages were not included in our projections.

To accomplish the objectives, the OIG:

- Contracted with WIK Consult, experts in postal economics and global postal markets, to conduct analyses of future Market Dominant mail volumes. A detailed description of the forecasting methodology is in Appendix B.
- Reviewed prior work exploring potential USPS reform options.
- Conducted interviews with mailers and with USPS management.

This report was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation. We discussed our observations and conclusions with management on March 27, 2025 and included their comments where appropriate.

Prior Coverage

Title	Objective	Report Number	Final Report Date	Monetary Impact
Analysis of Historical Mail Volume Trends	To present historical trends in mail volume across different classes of Market Dominant mail; describe the key factors influencing these trends in mail volume and their effects on the Postal Service.	RISC-WP-24-008	September 4, 2024	$0
Transactional Mail: Implications for the Postal Service	To examine the recent history of First-Class transactional mail sent and received by households and gauge the effects of electronic diversion, demographic changes, the economy, and evolving security and privacy concerns on transactional mail volume.	RARC-WP-18-007	April 16, 2018	$0
A New Reality: Correspondence Mail in the Digital Age	To examine how key factors like electronic diversion, demographic changes, the economy, pricing, and evolving security and privacy concerns have affected the growth and decline of correspondence mail and how they could affect First-Class mail demand in the future.	RARC-WP-18-004	March 5, 2018	$0
Advertising Mail: Future Prospects in Five Scenarios	The OIG worked with RCF, an economic firm, to look at possible future scenarios for advertising mail. RCF developed five 10-year projections of Standard Mail volume using 2015 as a starting point.	RARC-WP-16-010	May 9, 2016	$0

Appendix B: Forecasting Model

The OIG worked with WIK Consult to create a formula-based simulation model. The model predicts segment-specific mail volumes from 2025 to 2035 using a specified equation.

Model Equation

The equation used for the model is:

$$v_{ixt} = v_{ix(t\text{-}1)} * (1 + g\_p_{xt} * e\_p_{ixt} + sr_{ixt} + g\_hh_x * e\_hh_i + g\_gdp_x * e\_gdp_i)$$

The mail volume of segment *i* in scenario *x* (=1,2,4,5,6) in period *t* is calculated by the product of the mail volume in (*t*-1) and the combined effect of price changes, electronic diversion, household growth and economic growth.

The remaining scenario, scenario 3 or the "baseline scenario", is based on a continuation of historical trends.

The assumptions and parameters listed in this appendix do not apply to the baseline scenario.

Variables Within the Model

Variable	Explanation
v_{ixt}	Volume of mail segment i in scenario x in period t
g_p_{xt}	Growth rate of mail prices in scenario x in period t
e_p_{ixt}	Own-price elasticity of mail segment i in scenario x and in period t [<0]
sr_{ixt}	E-substition (electronic diversion) rate of mail segment i in scenario x in period t [<0]
g_hh_x	Growth rate of households in scenario x
e_hh_i	Demand elasticity of mail segment i subject to the number of households [>0]
g_gdp_x	Growth rate of the economy (in real terms) in scenario x
e_gdp_i	Demand elasticity of mail segment i subject to GDP growth [>0]

Assumptions and Parameters of the Model

The tables below outline the assumptions and parameters of the model.

Economic Growth Assumptions

Assumptions: Economic Growth

(1) Relationship between the economic growth rates of the scenarios (in absolute values)

- G_GDP_High Economic Growth > G_GDP_Historic trend continues > G_GDP_Low Economic Growth

G_GDP_High Economic Growth = 2.7%

G_GDP_Trend continues = 1.8%
G_GDP_Low Economic Growth = 1.3%

(2) Relationship between the economic growth rates of the two time periods (in absolute values)

- Average economic growth rate does not vary from year on year

(3) Relationship between the economic growth rates of the mail segments (in absolute values)

- The economic growth rates do not differ between mail segments

Demand Elasticity (Economy) Assumptions

Assumptions: Demand elasticity (Economy)

(1) Relationship between the demand elasticities of the scenarios

- The elasticities of demand do not vary from one scenario to another.

(2) Relationship between the demand elasticities of the two time periods

- The elasticities of demand do not vary from year to year.

(3) Relationship between the demand elasticities of the mail segments

- E_GDP_MM > E_GDP_FCM: MM dropped more in economic recession phases than FCM
- E_GDP_C2X < E_GDP_B2C_Correspondence
- E_GDP_B2B > E_GDP_B2C Transactional Mail: no impact of household growth on B2B volume

Economic Growth Parameters

Mail segment	Scenario	Economy growth (all years)
All mail segments	Scenario 1 & 2	2.7%
All mail segments	Scenario 4	1.8%
All mail segments	Scenario 5 & 6	1.3%

Demand Elasticity (Economy) Parameters

Mail segment	Scenario	Demand elasticity (Economy)	
		Ø 2025-29	Ø 2030-35
FCM C2X	All scenarios	0.2	0.2
FCM B2C Corr	All scenarios	0.4	0.4
FCM B2C Trans	All scenarios	0.6	0.6
FCM B2B	All scenarios	1.0	1.0
Marketing Mail	All scenarios	0.8	0.8

Household Growth Assumptions

Assumptions: Household growth

(1) Relationship between the household growth rates of the scenarios (in absolute values)

- G_HH_High Economic Growth > G_HH_Historic trend continues > G_HH_Low Economic Growth

G_HH_High = 1.0%

G_HH_Trend continues = 0.8%
G_HH_Low = 0.6%

Reason: Varying levels of migration to the U.S. depending on the economic development and the migration policies

(2) Relationship between the household growth rates of the two time periods (in absolute values)

- Average household growth does not vary from year to year

Reason: Judgmental determination for model simplicity.

(3) Relationship between the household growth rates of the mail segments (in absolute values)

- The household growth does not differ between mail segments

Demand Elasticity (households) Assumptions

Assumptions: Demand elasticity (households)

(1) Relationship between the demand elasticities of the scenarios

- The elasticities of demand do not vary from one scenario to another

Reason: No good reason for variation

(2) Relationship between the demand elasticities of the two time periods

- The elasticities of demand do not vary from year to year.

Reason: Judgmental determination for model simplicity

(3) Relationship between the demand elasticities of the mail segments

- E_HH_B2B =0 (no households involved)
- E_HH_C2X < E_HH_B2C (Correspondence & Transactional Mail)
- E_HH_B2C < E_HH_MM

Reason: Analogous to the ranking of demand elasticities with respect to economic growth

Household Growth Parameters

Mail segment	Scenario	Household growth (all years)
All mail segment	Scenario 1 & 2	1.0%
All mail segment	Scenario 4	0.8%
All mail segment	Scenario 5 & 6	0.6%

Demand Elasticity (households) Parameters

Mail segment	Scenario	Demand elasticity (Households) Ø 2025-29	Ø 2030-35
FCM C2X	All scenarios	0.2	0.2
FCM B2C Corr	All scenarios	0.5	0.5
FCM B2C Trans	All scenarios	0.5	0.5
FCM B2B	All scenarios	0.0	0.0
Marketing Mail	All scenarios	0.8	0.8

Substitution Rates Assumptions

Assumptions: Substitution rates

(1) Relationship between the substitution rates of the scenarios (in absolute values)

| SR_Accelerated Digitization (Sc2, Sc4, Sc6) | > | SR_ Historic trend continues (Sc1, Sc5) |

Reason: Improved availability of convenient digital alternatives

(2) Relationship between the substitution rates of the two time periods (in absolute values)

| SR_Accelerated Digitization_Average 2025-2029 | < | SR_ Accelerated Digitization_ Average 2030-2035 |

Reason: Accelerated migration of older generations to digital alternatives after 2029

(3) Relationship between the substitution rates of the mail segments (in absolute values)

- | SR_FCM | > | SR_MM |
- | SR_C2X | > | SR_B2C Transactional Mail |
- | SR_B2C Correspondence | < | SR_B2C Transactional Mail |
- | SR_B2C Transactional Mail | < | SR_B2B |

Reasons:
MM: Complementarities between direct mail and online advertisement channels
FCM: B2C – senders more reluctant to switch to digital alternatives (risk of losing private customers) than B2B senders

Substitution Rates Parameter Values (by scenario)

Mail segment	Scenario	Substitution Rates Ø 2025-29	Substitution Rates Ø 2030-35
FCM C2X	Scenario 1	-4.0%	-4.0%
FCM B2C Corr	Scenario 1	-2.5%	-2.5%
FCM B2C Trans	Scenario 1	-3.5%	-3.5%
FCM B2B	Scenario 1	-4.0%	-4.0%
Marketing Mail	Scenario 1	-3.0%	-3.0%
FCM C2X	Scenario 2	-5.0%	-6.0%
FCM B2C Corr	Scenario 2	-3.0%	-3.5%
FCM B2C Trans	Scenario 2	-4.0%	-5.0%
FCM B2B	Scenario 2	-5.0%	-6.0%
Marketing Mail	Scenario 2	-3.5%	-4.0%
FCM C2X	Scenario 4	-5.0%	-6.0%
FCM B2C Corr	Scenario 4	-3.0%	-3.5%
FCM B2C Trans	Scenario 4	-4.0%	-5.0%
FCM B2B	Scenario 4	-5.0%	-6.0%
Marketing Mail	Scenario 4	-3.5%	-4.0%
FCM C2X	Scenario 5	-4.0%	-4.0%
FCM B2C Corr	Scenario 5	-2.5%	-2.5%
FCM B2C Trans	Scenario 5	-3.5%	-3.5%
FCM B2B	Scenario 5	-4.0%	-4.0%
Marketing Mail	Scenario 5	-3.0%	-3.0%
FCM C2X	Scenario 6	-5.0%	-6.0%
FCM B2C Corr	Scenario 6	-3.0%	-3.5%
FCM B2C Trans	Scenario 6	-4.0%	-5.0%
FCM B2B	Scenario 6	-5.0%	-6.0%
Marketing Mail	Scenario 6	-3.5%	-4.0%

Growth in Real Postal Prices/ Price Changes Assumptions

Assumptions: Growth in real postal prices

(1) Relationship between the change in postal prices of the scenarios

G_p_Accelerated Digitization (Sc2, Sc4, Sc6) | > G_p_Historic trend continues (Sc1, Sc5)
Reason: Improved availability of convenient digital alternatives (more mail volume decline)
G_p_Low Economic Growth (Sc5, Sc6) > G_p_High Economic Growth | (Sc1, Sc5)

(2) Relationship between the change in postal prices of the two time periods

G_p_Average 2025-2029 < G_p_Average 2030-2035
Reason: Second period with higher average price increases due to accelerated volume decline

(3) Relationship between the change in postal prices of the mail segments

- G_ p_ FCM = G_ p_ MM

Reason: In accordance with PRC price cap decisions

(4) Other assumptions (Calculation of price increases based on PRC Price Cap formula)[28]

- Retirement authority (USPS response)
  - RA (FY 2025) = 2.3%
  - RA (FY 2026-FY2035) = 0%
- Share of institutional costs
  - Median (2008-2025) = 45.3% / Mean (2008-2025) = 45.0%
  - But increasing trend: IC/TC (FY 2024) = 49.7% and IC/TC (FY 2025) = 49.6% (Source: USPS)
  - WIK to set the share of institutional costs (IC/TC) at 50% for FY 2026 – FY 2035
- Delivery points
  - USPS response: Annual growth rate (2024-2034) = 1.2%
  - Historical growth rate (2008-2023) = 0.7%
- WIK set the following growth rates for delivery points per scenario
  - Scenario 1 & 2 (lower economic growth): DP_growth = 0.7%
  - Scenario 4 (trend continues): DP_Growth = 0.95%
  - Scenario 5 & 6: DP_Growth = 1.2%

Growth in Real Postal Prices/ Price Changes Parameter Values[29]

Mail segment	Scenario	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
FCM & MM	Scenario 1	4.6%	1.5%	1.5%	1.5%	1.5%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%
FCM & MM	Scenario 2	4.6%	2.2%	2.2%	2.2%	2.2%	2.2%	2.9%	2.9%	2.9%	2.9%	2.9%
FCM & MM	Scenario 4	4.5%	2.6%	2.6%	2.6%	2.6%	2.6%	3.3%	3.3%	3.3%	3.3%	3.3%
FCM & MM	Scenario 5	4.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.2%	2.2%	2.2%	2.2%	2.2%
FCM & MM	Scenario 6	4.4%	2.7%	2.7%	2.7%	2.7%	2.7%	3.6%	3.6%	3.6%	3.6%	3.6%

28 The Postal Service notes that because of the PRC formula's complexity and volume changes from year to year, density rates may not round to the same percentage across years and scenarios. Additionally, since the price cap is based on either total volume decline or Market Dominant volume declines, whichever is less, and the calculation assumptions in the OIG model do not consider 100 percent of volume, the Postal Service considers it inaccurate to say that the calculations are strictly based on the PRC formula.
29 Note: Price assumptions for 2025 were determined before the Postal Service's April 9, 2025 filing to increase Market Dominant prices in July 2025.

Price Elasticities Assumptions

Assumptions: Price elasticities

(1) Relationship between the price elasticities of the scenarios (in absolute values)

| E_p_Accelerated Digitization (Sc2, Sc4, Sc6) | > | E_p_ Historic trend continues (Sc1, Sc5) |

Reason: Improved availability of convenient digital alternatives

(2) Relationship between the price elasticities of the two time periods (in absolute values)

| E_p_Average 2026-2029 | < | E_p_Average 2030-2035 |

Reason: Due to digital alternatives that do not increase in cost at the same rate as mail (implicit assumption: positive cross-price elasticity with digital alternatives)

(3) Relationship between the price elasticities of the mail segments (in absolute values)

- | E_ p_ FCM | < | E_ p_ MM |
- | E_ p_ C2X | = | E_ p_ B2C Transactional Mail |
- | E_ p_ B2C Correspondence | < | E_ p_ B2C Transactional Mail |
- | E_ p_ B2C Transactional Mail | < | E_ p_ B2B |

Reason: Historic trend in relation to price increases

Price Elasticities Parameter Values (by scenario)

Mail segment	Scenario	Price elasticities Ø 2025-29	Price elasticities Ø 2030-35
FCM C2X	Scenario 1	-0.3	-0.4
FCM B2C Corr	Scenario 1	-0.2	-0.3
FCM B2C Trans	Scenario 1	-0.3	-0.4
FCM B2B	Scenario 1	-0.4	-0.5
Marketing Mail	Scenario 1	-0.6	-0.7
FCM C2X	Scenario 2	-0.4	-0.5
FCM B2C Corr	Scenario 2	-0.3	-0.4
FCM B2C Trans	Scenario 2	-0.4	-0.5
FCM B2B	Scenario 2	-0.5	-0.6
Marketing Mail	Scenario 2	-0.8	-1.0
FCM C2X	Scenario 4	-0.4	-0.5
FCM B2C Corr	Scenario 4	-0.3	-0.4
FCM B2C Trans	Scenario 4	-0.4	-0.5
FCM B2B	Scenario 4	-0.5	-0.6
Marketing Mail	Scenario 4	-0.8	-1.0
FCM C2X	Scenario 5	-0.3	-0.4
FCM B2C Corr	Scenario 5	-0.2	-0.3
FCM B2C Trans	Scenario 5	-0.3	-0.4
FCM B2B	Scenario 5	-0.4	-0.5
Marketing Mail	Scenario 5	-0.6	-0.7
FCM C2X	Scenario 6	-0.4	-0.5
FCM B2C Corr	Scenario 6	-0.3	-0.4
FCM B2C Trans	Scenario 6	-0.4	-0.5
FCM B2B	Scenario 6	-0.5	-0.6
Marketing Mail	Scenario 6	-0.8	-1.0

Appendix C: Full Results of the Model

All figures in billions of mailpieces. 2024 figures are actual volumes reported by USPS. CAGR = Compound Annual Growth Rate.

*Only scenario 3, the baseline scenario (steady growth – steady diversion) includes Periodicals. This is because this scenario is a forward projection based on historic growth rates of the mail segments, rather than a projection of the simulation model.

Scenario 1: High Growth – Steady Diversion ("Best-Case")

Class	Segment	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Growth 2025-35	CAGR 2025-35	CAGR 2025-30	CAGR 2030-35
First-Class Mail	C-to-X	4.5	4.3	4.1	4.0	3.8	3.7	3.5	3.4	3.3	3.1	3.0	2.9	-32.3%	-3.8%	-3.7%	-3.9%
First-Class Mail	B-to-C Correspondence	10.0	9.8	9.7	9.6	9.5	9.4	9.2	9.1	9.0	8.8	8.7	8.6	-12.5%	-1.3%	-1.3%	-1.4%
First-Class Mail	B-to-C Transactions	17.5	17.0	16.7	16.4	16.1	15.8	15.4	15.1	14.8	14.5	14.2	13.9	-17.8%	-1.9%	-1.9%	-2.0%
First-Class Mail	B-to-B	12.4	12.0	11.8	11.5	11.3	11.1	10.9	10.6	10.4	10.2	10.0	9.8	-18.5%	-2.0%	-1.9%	-2.1%
Marketing Mail	Marketing Mail	57.5	55.9	55.4	54.8	54.3	53.8	53.2	52.6	52.0	51.4	50.8	50.2	-10.2%	-1.1%	-1.0%	-1.2%
First-Class Mail	Subtotal First Class	44.3	43.0	42.2	41.4	40.6	39.9	39.1	38.2	37.5	36.7	35.9	35.2	-18.2%	-2.0%	-1.9%	-2.1%
Total	**Total**	**101.8**	**99.0**	**97.6**	**96.3**	**94.9**	**93.7**	**92.3**	**90.8**	**89.4**	**88.1**	**86.7**	**85.4**	**-13.7%**	**-1.5%**	**-1.4%**	**-1.5%**

Scenario 2: High Growth – Accelerated Diversion

Class	Segment	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Growth 2025-35	CAGR 2025-35	CAGR 2025-30	CAGR 2030-35
First-Class Mail	C-to-X	4.5	4.2	4.0	3.8	3.6	3.4	3.2	3.0	2.8	2.6	2.4	2.2	-46.4%	-6.0%	-5.4%	-6.7%
First-Class Mail	B-to-C Correspondence	10.0	9.7	9.5	9.3	9.1	8.9	8.7	8.4	8.2	7.9	7.7	7.4	-23.6%	-2.7%	-2.2%	-3.1%
First-Class Mail	B-to-C Transactions	17.5	16.8	16.3	15.9	15.5	15.0	14.4	13.8	13.2	12.6	12.1	11.6	-31.2%	-3.7%	-3.0%	-4.3%
First-Class Mail	B-to-B	12.4	11.8	11.4	11.0	10.6	10.3	9.8	9.3	8.8	8.4	8.0	7.6	-35.9%	-4.3%	-3.6%	-5.0%
Marketing Mail	Marketing Mail	57.5	55.1	53.8	52.6	51.4	50.2	48.6	46.6	44.8	43.0	41.3	39.7	-27.9%	-3.2%	-2.5%	-3.9%
First-Class Mail	Subtotal First Class	44.3	42.5	41.3	40.0	38.8	37.6	36.1	34.5	33.0	31.5	30.1	28.8	-32.2%	-3.8%	-3.2%	-4.4%
Total	**Total**	**101.8**	**97.6**	**95.1**	**92.6**	**90.2**	**87.8**	**84.7**	**81.1**	**77.8**	**74.6**	**71.5**	**68.5**	**-29.8%**	**-3.5%**	**-2.8%**	**-4.1%**

Scenario 3: Steady Growth – Steady Diversion* (“Baseline”)

Class	Segment	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Growth 2025-35	CAGR 2025-35	CAGR 2025-30	CAGR 2030-35
First-Class Mail	C-to-X	4.5	4.1	3.8	3.5	3.2	3.0	2.7	2.5	2.3	2.1	2.0	1.8	-55.7%	-7.8%	-7.8%	-7.8%
First-Class Mail	B-to-C Correspondence	10.0	9.8	9.7	9.5	9.4	9.2	9.1	8.9	8.8	8.7	8.5	8.4	-14.8%	-1.6%	-1.6%	-1.6%
First-Class Mail	B-to-C Transactions	17.5	16.7	16.0	15.3	14.7	14.1	13.5	12.9	12.4	11.8	11.3	10.9	-35.0%	-4.2%	-4.2%	-4.2%
First-Class Mail	B-to-B	12.4	11.8	11.3	10.8	10.4	9.9	9.5	9.1	8.7	8.3	8.0	7.6	-35.4%	-4.3%	-4.3%	-4.3%
Marketing Mail	Marketing Mail	57.5	55.7	54.2	52.4	50.9	49.5	48.0	46.6	45.2	43.9	42.6	41.4	-25.7%	-2.9%	-2.9%	-2.9%
Periodicals	Periodicals	2.7	2.5	2.3	2.2	2.0	1.8	1.7	1.6	1.4	1.3	1.2	1.1	-55.7%	-7.8%	-7.8%	-7.8%
First-Class Mail	Subtotal First Class	44.3	42.5	40.8	39.2	37.7	36.2	34.8	33.5	32.2	31.0	29.8	28.7	-32.4%	-3.8%	-3.9%	-3.8%
Total	**Total**	**104.6**	**100.7**	**97.3**	**93.8**	**90.5**	**87.5**	**84.5**	**81.6**	**78.9**	**76.2**	**73.7**	**71.2**	**-29.3%**	**-3.4%**	**-3.5%**	**-3.4%**

Scenario 4: Steady Growth – Accelerated Diversion

Class	Segment	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Growth 2025-35	CAGR 2025-35	CAGR 2025-30	CAGR 2030-35
First-Class Mail	C-to-X	4.5	4.2	4.0	3.7	3.5	3.3	3.1	2.9	2.7	2.5	2.3	2.1	-48.7%	-6.5%	-5.8%	-7.2%
First-Class Mail	B-to-C Correspondence	10.0	9.7	9.4	9.2	8.9	8.7	8.4	8.1	7.8	7.5	7.2	7.0	-28.2%	-3.3%	-2.8%	-3.7%
First-Class Mail	B-to-C Transactions	17.5	16.7	16.1	15.5	15.0	14.5	13.8	13.0	12.4	11.7	11.1	10.5	-36.9%	-4.5%	-3.8%	-5.2%
First-Class Mail	B-to-B	12.4	11.7	11.2	10.7	10.2	9.7	9.2	8.6	8.1	7.6	7.1	6.7	-43.0%	-5.5%	-4.7%	-6.2%
Marketing Mail	Marketing Mail	57.5	54.6	52.7	50.9	49.1	47.4	45.3	42.9	40.7	38.5	36.5	34.6	-36.7%	-4.5%	-3.7%	-5.3%
First-Class Mail	Subtotal First Class	44.3	42.3	40.7	39.1	37.7	36.2	34.5	32.6	30.9	29.3	27.8	26.3	-37.8%	-4.6%	-4.0%	-5.3%
Total	**Total**	**101.8**	**96.9**	**93.4**	**90.0**	**86.8**	**83.7**	**79.8**	**75.6**	**71.6**	**67.8**	**64.3**	**60.9**	**-37.2%**	**-4.5%**	**-3.8%**	**-5.3%**

Scenario 5: Low Growth – Steady Diversion

Class	Segment	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Growth 2025-35	CAGR 2025-35	CAGR 2025-30	CAGR 2030-35
First-Class Mail	C-to-X	4.5	4.2	4.1	3.9	3.7	3.6	3.4	3.3	3.1	3.0	2.8	2.7	-36.1%	-4.4%	-4.3%	-4.5%
First-Class Mail	B-to-C Correspondence	10.0	9.8	9.6	9.4	9.2	9.0	8.8	8.6	8.4	8.2	8.0	7.8	-20.2%	-2.2%	-2.1%	-2.3%
First-Class Mail	B-to-C Transactions	17.5	16.8	16.3	15.8	15.3	14.9	14.4	13.9	13.5	13.0	12.6	12.2	-27.6%	-3.2%	-3.1%	-3.3%
First-Class Mail	B-to-B	12.4	11.8	11.4	11.0	10.6	10.3	9.9	9.5	9.1	8.8	8.5	8.1	-31.1%	-3.7%	-3.5%	-3.8%
Marketing Mail	Marketing Mail	57.5	55.2	53.7	52.2	50.8	49.5	48.0	46.6	45.2	43.9	42.5	41.3	-25.2%	-2.9%	-2.7%	-3.0%
First-Class Mail	Subtotal First Class	44.3	42.6	41.3	40.1	38.8	37.7	36.4	35.2	34.1	32.9	31.9	30.8	-27.7%	-3.2%	-3.1%	-3.3%
Total	**Total**	**101.8**	**97.8**	**95.0**	**92.3**	**89.7**	**87.1**	**84.5**	**81.8**	**79.3**	**76.8**	**74.4**	**72.1**	**-26.3%**	**-3.0%**	**-2.9%**	**-3.1%**

Scenario 6: Low Growth – Accelerated Diversion (“Worst-Case”)

Class	Segment	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Growth 2025-35	CAGR 2025-35	CAGR 2025-30	CAGR 2030-35
First-Class Mail	C-to-X	4.5	4.2	3.9	3.7	3.5	3.3	3.1	2.8	2.6	2.4	2.3	2.1	-50.0%	-6.7%	-6.0%	-7.4%
First-Class Mail	B-to-C Correspondence	10.0	9.7	9.4	9.1	8.8	8.6	8.2	7.9	7.6	7.3	7.0	6.7	-31.0%	-3.6%	-3.2%	-4.1%
First-Class Mail	B-to-C Transactions	17.5	16.6	16.0	15.3	14.7	14.1	13.4	12.6	11.9	11.2	10.6	10.0	-40.2%	-5.0%	-4.3%	-5.7%
First-Class Mail	B-to-B	12.4	11.6	11.1	10.5	10.0	9.5	8.9	8.2	7.7	7.2	6.7	6.2	-46.7%	-6.1%	-5.3%	-6.9%
Marketing Mail	Marketing Mail	57.5	54.4	52.1	49.9	47.8	45.8	43.5	40.8	38.3	36.0	33.8	31.7	-41.7%	-5.2%	-4.4%	-6.1%
First-Class Mail	Subtotal First Class	44.3	42.1	40.3	38.6	37.0	35.4	33.5	31.6	29.8	28.1	26.4	24.9	-40.9%	-5.1%	-4.5%	-5.8%
Total	**Total**	**101.8**	**96.5**	**92.5**	**88.6**	**84.8**	**81.3**	**77.0**	**72.4**	**68.1**	**64.0**	**60.2**	**56.6**	**-41.3%**	**-5.2%**	**-4.4%**	**-6.0%**

Appendix D: Management's Comments

UNITED STATES POSTAL SERVICE

May 27, 2025

PAOLA PISCIONERI
RESEARCH DIRECTOR
RESEARCH AND INSIGHTS SOLUTION CENTER

SUBJECT: Management Response: Projecting Mail Volume: Future Trends and Implications for the Postal Service (2025RISC002)

Thank you for the opportunity to review and comment on the Office of Inspector General's (OIG's) white paper: *Projecting Mail Volume: Future Trends and Implications for the Postal Service*.

The Postal Service understands and appreciates the evolving nature of the marketplace with the introduction and further development of digital alternatives to the mail, which requires that we enact fundamental changes to reflect the evolving demand for our services and ensure that we can meet our statutory mission of providing universal postal services in a financially self-sufficient manner. We remain committed to increasing the value of mail by reducing our cost of performance and improving service reliability through the Delivering for America and Delivering for America 2.0 - Fulfilling the Promise Plans and providing innovative, thoughtful solutions designed to attract and retain customers. The operational initiatives and associated service standard changes we are in the process of implementing promote our continued ability to provide affordable and reliable mail delivery throughout the nation, six days a week. We will continue to develop, promote, and offer products that adapt to market demand, and sunset products that are no longer relevant to our consumers. We will also continue to price our mail products in a judicious manner to generate the revenue that is needed to ensure the achievement of our mission.

Recognizing that the marketplace needs are shifting within the Market Dominant space, we would like to highlight areas where our recent adaptation efforts have strengthened the value of mail and continue to provide commercial businesses with reliable, relevant, and effective products to reach customers as opposed to other alternatives, as these efforts will likely generate additional mail volume in the future. The USPS Mail Growth Incentives program brought in over 5.6 billion new pieces of mail in the first year and is poised to continue driving value to our partners throughout 2025. The Informed Delivery platform, which offers businesses a unique opportunity to connect with customers through physical and digital campaigns to broaden their audiences, has attracted over 73 million users to date, with an open rate greater than other digital platform metrics.

The OIG includes a simulation model within this paper to convey potential trajectories of mail volumes over the next decade, including several scenarios based on the rate of projected economic growth and the rate of electronic diversion. The Postal Service previously requested the OIG provide the full disclosure of the parameters applied to assess comparability, the underlying assumptions for the parameters, and a discussion of the implications. The Postal Service notes that there are certain results from these scenarios that are counterintuitive yet are not discussed in the paper:

- Scenario 4 *Steady Economic Growth—Accelerated Diversion* and Scenario 5 *Low Economic Growth—Steady Diversion,* which both utilize a parameter-based method of simulation, projected higher volumes in many cases than Scenario 3, the baseline *Steady Economic Growth—Steady Diversion,* which utilizes a trend extrapolation method.

- Assuming comparability between the two separate projection methods, the implications of the higher volumes in the parameter-based simulation models should be addressed within the paper, as the expectation is that negative volume growth (i.e. "Accelerated Diversion") should produce lower volumes compared to a "Steady Diversion" when both are compared in a "Steady Growth" economy being constant in both cases. However, the Postal Service observes positive volume growth in some segments.

- The OIG assumes more elastic Marketing Mail in some scenarios with -1 elasticity, however in such scenarios an increase in price is revenue neutral after resulting volume declines. The Postal Service may not increase a product's price if it would not improve revenue, therefore it is not a reasonable assumption that the Postal Service would continue to increase the price of Marketing Mail in scenarios with -1 elasticity.

- The Postal Services disputes the OIG's statement on page 5 that "*larger economic conditions outside the control of the Postal Service usually have overall limited impacts on demand for First-Class Mail and Marketing Mail,*", as this has not historically been the case. For example, economic uncertainty in FY 2023 resulted in a 9.3% Market Dominant Mail decline compared to FY 2022. Despite this uncertainty not resulting in a recession, the mail volume was depressed regardless.

Additionally, the OIG has stated that Political and Election Marketing Mail is excluded in this analysis, since it is more driven by election cycle. However, the cyclicality of Political and Election Marketing Mail is not discussed within this paper despite having a considerable impact on Marketing Mail volume which is potentially misleading for readers who are not as familiar with the impacts of Political and Election Marketing Mail volume. The Postal Service notes that the FY 2024 Marketing Mail volume is driven in part by the Political and Election Marketing Mail associated with the 2024 election. Approximately two billion pieces of FY2024 Marketing Mail total volume is attributable to Political and Election Mail. As the simulation model for Marketing Mail for each scenario uses the FY 2024 volume as a basis, the model is potentially resulting in misleading simulated volume.

The Postal Service recognizes the evolving state of the Market Dominant products and the impacts on customers' demand for our services, and our Delivering for America Plan is designed to set forth comprehensive initiatives to enable the Postal Service to adapt to these trends and achieve service excellence and financial sustainability. We will continue to adapt and innovate to provide products that deliver reliably for the American people.

Luke Grossmann
Chief Financial Officer

Steven W Monteith

Steven Monteith
Chief Customer and Marketing Officer

cc: *Corporate Audit Response Management*

David Neu, Joy Sanzone, John Althen, and Hannah Xie contributed to this report.

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