



USPS TRANSPORTATION SUPPLIER BRIEFING

Understanding the Financial State of the U.S. Postal Service

Implications for Surface Transportation Carriers and What Comes Next



TODAY'S AGENDA

01

How We Got Here

Origins of the crisis — a 17-year record

02

The Collapse of Mail Volume

Volume and employment trends, 2005–today

03

The Scale of the Problem

Debt, deficits, and structural imbalance

04

Labor: The Controllable Challenge

Why personnel costs are the critical variable

05

Impact on Transportation Suppliers

How USPS finances flow into carrier contracts

06

The 2027 Financial Cliff

Congressional forecast and what happens next

A 17-Year Record of Structural Deterioration

2001**GAO High-Risk List**

GAO flags USPS as high-risk. First-Class Mail peaks at ~103B pieces — it will never recover.

2006**PAEA — The Anchor**

Postal Accountability & Enhancement Act mandates prefunding 75 years of retiree health benefits over 10 years: \$5.4–5.8B/year.

2009**Crisis Hearing**

PMG Potter testifies: USPS projects \$7B loss for the year. Senator Lieberman warns of a "death spiral." Volume down 14% in one quarter.

2012**First Default**

USPS misses \$5.5B prefunding payment — first of many. GAO: total unfunded liabilities reach \$96.1B by year-end.

2013**Donahoe's Warning**

PMG Donahoe testifies: "Greater flexibility now, or massive taxpayer exposure later." S.1486 stalls amid union opposition.

2020–26**DeJoy → Steiner**

\$80B in cumulative losses. 2022 PSRA: eliminates retiree health pre-payment schedule; integrates Medicare; codifies 6-day delivery. DFA launched. March 2026: PMG Steiner warns of cash exhaustion within 12 months.

Volume, Employment, and Productivity — All Moving the Wrong Way

MAIL VOLUME COLLAPSE

213B→109B

Total pieces: peak 2006 to today

-56%

First-Class Mail since FY2007

-65%

Periodicals since FY2008 — already losing money for USPS

-29–41%

Projected further FCM + Mktg Mail decline by 2035 (OIG, June 2025)

5.5→2.4

Pieces per delivery point per day (FY2007 vs. FY2025)

1M+/yr

New delivery points added annually (170M total today)

EMPLOYMENT & PRODUCTIVITY

- ▶ Peak USPS employment exceeded 800,000 — workforce has declined, but not proportionally to volume
- ▶ 286,000 pre-career employees converted to career status since FY2021 — locking in higher-cost, harder-to-reduce positions (OIG DFA Report Vol. 2, Sept. 2024)
- ▶ Q1 FY2026: volume down 9.4% vs. prior year, but workhours only down 2.9% — productivity gap widening
- ▶ DFA plan targeted 28M+ mail processing work-hour reductions FY2022–FY2024; missed by 10.8M hours — \$174M in unrealized savings (OIG, Sept. 2024)
- ▶ Salary & Benefits up 2.9% in FY2025 while workhours fell only 1.0% — wages rising faster than headcount falls
- ▶ Total Factor Productivity declining since 2016 — inputs not matching workload reductions

Debt, Deficits, and Structural Imbalance

\$160B+

Cumulative losses
2007–2025

70%

FY2025 losses from
non-controllable costs

\$15B

Statutory debt cap —
unchanged since 1992

~\$8B

Projected FY2026
net loss

WHAT MAKES UP THE LOSSES — CONTROLLABLE VS. NON-CONTROLLABLE (FY2025)



CSRS pension amortization (not paid since 2017): ~\$3.0B



FERS pension amortization (partially paid): ~\$2.2B



Workers' compensation (FECA) — \$4.15B in potential 10-yr savings (OIG): \$0.4–0.8B



HBF top-up payments — fund depletes FY2031 (OIG Jan. 2024): ~\$0.7B→\$6B



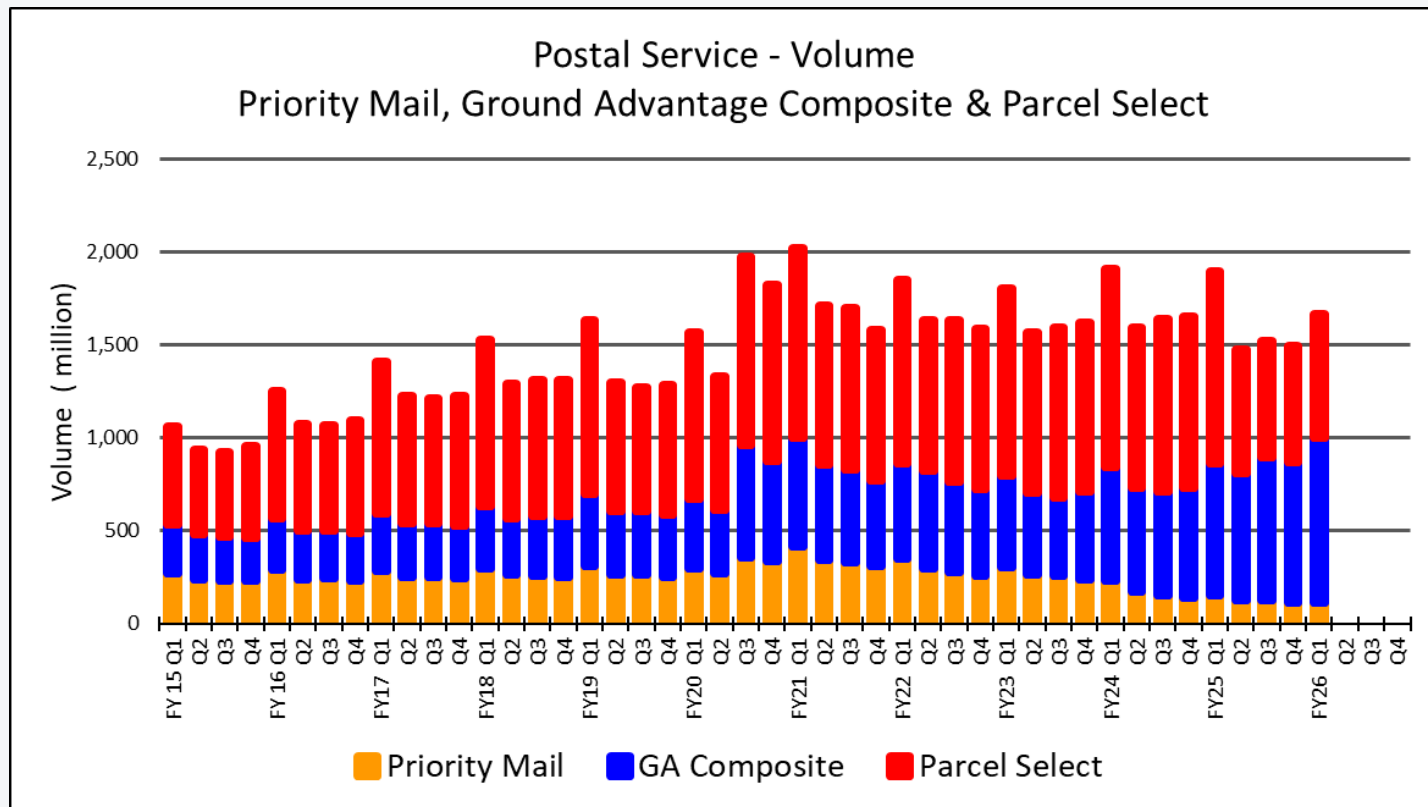
Controllable operating loss: ~\$1.8B

Challenging FY 2026 Q1

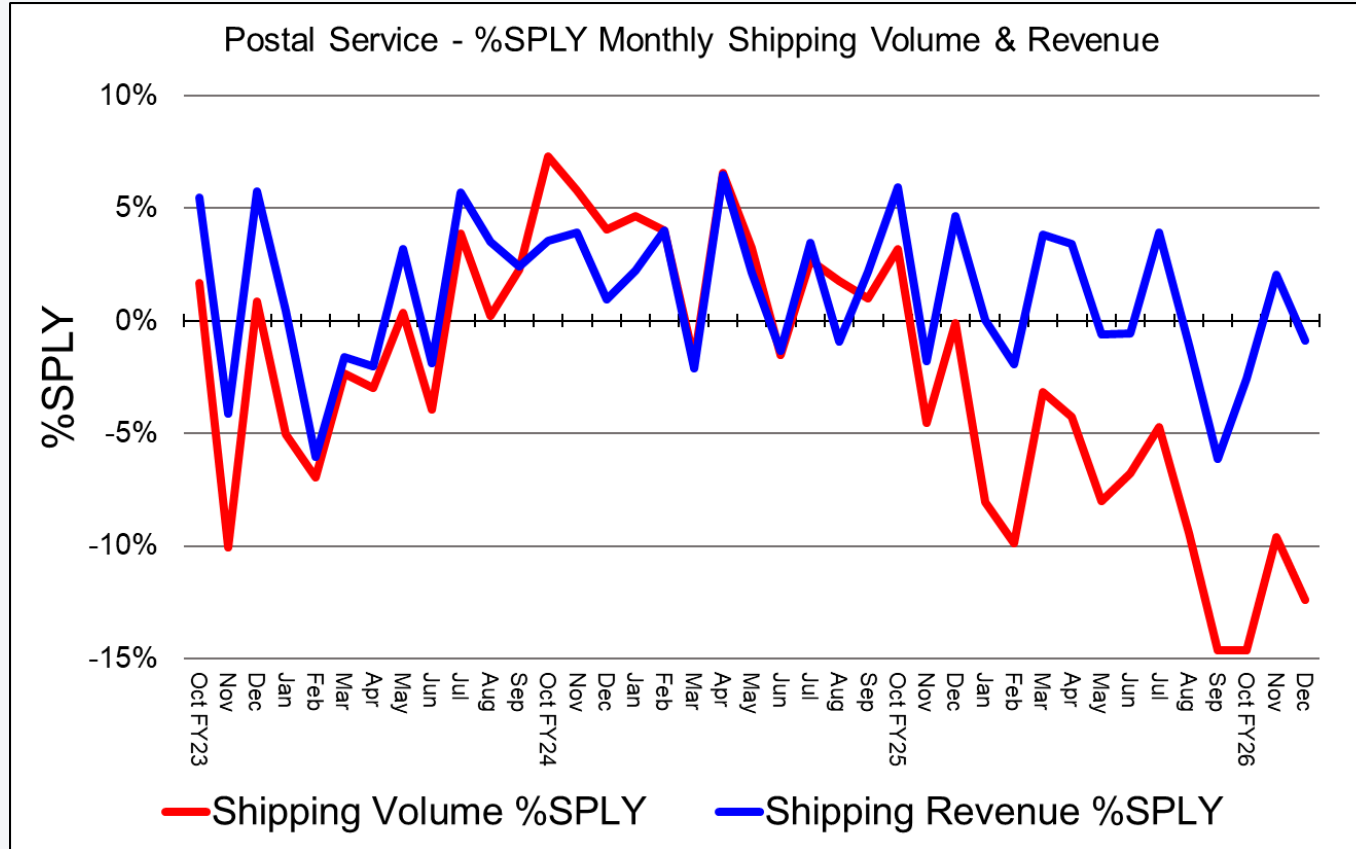
Postal Service Integrated Financial Plan (IFP)		FY2026 Results Year-to-Date through December									
		FY 26	FY 26	FY 25	FY 24	FY 26	FY 25	FY 24	FY 26	FY 25	FY 24
(millions)	IFP Description	Actual	Plan	SPLY	Prior Year	+/- Plan	+/- SPLY	+/- Prior	% Plan	% SPLY	% Prior
Volume	1 First-Class Mail	10,823		11,525	11,899		-702	-1,075		-6.1%	-9.0%
	2 Marketing Mail	14,958		16,792	15,541		-1,833	-582		-10.9%	-3.7%
	3 Periodicals	568		681	729		-113	-162		-16.6%	-22.2%
	4 Shipping and Packages (incl Pkg Svs)	1,768		2,009	2,028		-242	-260		-12.0%	-12.8%
	5 International	51		79	92		-28	-41		-35.0%	-44.3%
	6 All Other	177		194	185		-17	-8		-8.7%	-4.3%
	7 Total Volume	28,345	27,758	31,280	30,473	587	-2,934	-2,128	2.1%	-9.4%	-7.0%
Revenue	8 First-Class Mail	7,105		7,037	6,720		69	385		1.0%	5.7%
	9 Marketing Mail	4,472		4,600	4,155		-129	317		-2.8%	7.6%
	10 Periodicals	223		242	238		-19	-15		-7.8%	-6.3%
	11 Shipping and Packages (incl Pkg Svs)	9,620		9,639	9,403		-18	218		-0.2%	2.3%
	12 International	251		384	429		-133	-179		-34.7%	-41.6%
	13 All Other + Interest	698		849	921		-151	-223		-17.7%	-24.2%
	14 Total Revenue (incl Interest)	22,369	22,700	22,750	21,866	-331	-381	503	-1.5%	-1.7%	2.3%
Workhours	15 Total Workhours	290,849	290,360	299,644	297,211	489	-8,795	-6,362	0.2%	-2.9%	-2.1%
Expenses	16 Salaries & Benefits	14,651	14,492	14,626	14,005	159	26	646	1.1%	0.2%	4.6%
	17 Workers Comp Normal Cost & All Other	477	529	507	467	-52	-30	10	-9.8%	-5.9%	2.1%
	18 FERS Normal Cost (Plan=Actual)	1,291	1,291	1,243	1,205		47	86		3.8%	7.1%
	19 Controllable Personnel Cost	16,419	16,312	16,376	15,677	107	43	742	0.7%	0.3%	4.7%
	20 Transportation	2,241	2,337	2,198	2,524	-96	43	-283	-4.1%	2.0%	-11.2%
	21 Depreciation	568	593	526	463	-25	42	105	-4.2%	8.0%	22.7%
	22 All Other Non-Personnel + Interest	2,792	2,855	2,682	2,732	-63	110	60	-2.2%	4.1%	2.2%
	23 Non-Personnel Expense + Interest	5,601	5,785	5,406	5,719	-184	195	-118	-3.2%	3.6%	-2.1%
	24 Controllable Expenses	22,020	22,097	21,782	21,396	-77	238	624	-0.3%	1.1%	2.9%
	25 Workers Comp Revaluation (WCR)	33		-626	1,167		659	-1,134			
	26 FERS Unfunded Liabilities	575	575	600	575		-25			-4.2%	
	27 CSRS Unfunded Liabilities	825	825	850	800		-25	25		-2.9%	3.1%
	28 RHB Top-Up Payments	175	175				175	175			
	29 Non-Controllable Expenses	1,608	1,575	824	2,542	33	784	-934		95.1%	-36.7%
	30 Total Expenses	23,628	23,672	22,606	23,938	-44	1,022	-310	-0.2%	4.5%	-1.3%
Income Results Metrics	31 Controllable Income (Loss)	349	603	968	470	-254	-619	-121			
	32 Adjusted Net Income (w/o WCR)	(1,226)	(972)	(482)	(905)	-254	-744	-321			
	33 Net Income (Loss)	(1,259)	(972)	144	(2,072)	-287	-1,403	813			

- Adjusted Net Loss for was \$1.3 billion dollars, \$744 million worse than SPLY.
- Controllable Income was \$349 million dollars, \$619 million worse than SPLY.
- Workers Comp Revaluation was \$659 million dollars worse than SPLY.
- Total Revenue was below Plan \$331 million dollars, and below SPLY \$381 million (-1.7%).
- Shipping Revenue was \$18 million dollars below SPLY, for a decline of -0.2%.
- Volume is down -9.4% to SPLY, while workhours are down -2.9% to SPLY, for declining productivity.
- Transportation over SPLY by 2.0%, or \$43 million dollars

Shifting Package Volume: Competition Between USPS Products



Parcel Volume Decline Accelerated



Personnel Costs Are the Critical Variable USPS Can Influence

~80%

Of USPS total costs
are personnel expenses

\$5.5B

Direct overtime costs
in FY2025 alone

\$4.15B

10-yr workers' comp
savings if private practices
allowed (OIG)

286K

Pre-career employees
converted to career since FY2021
(OIG)

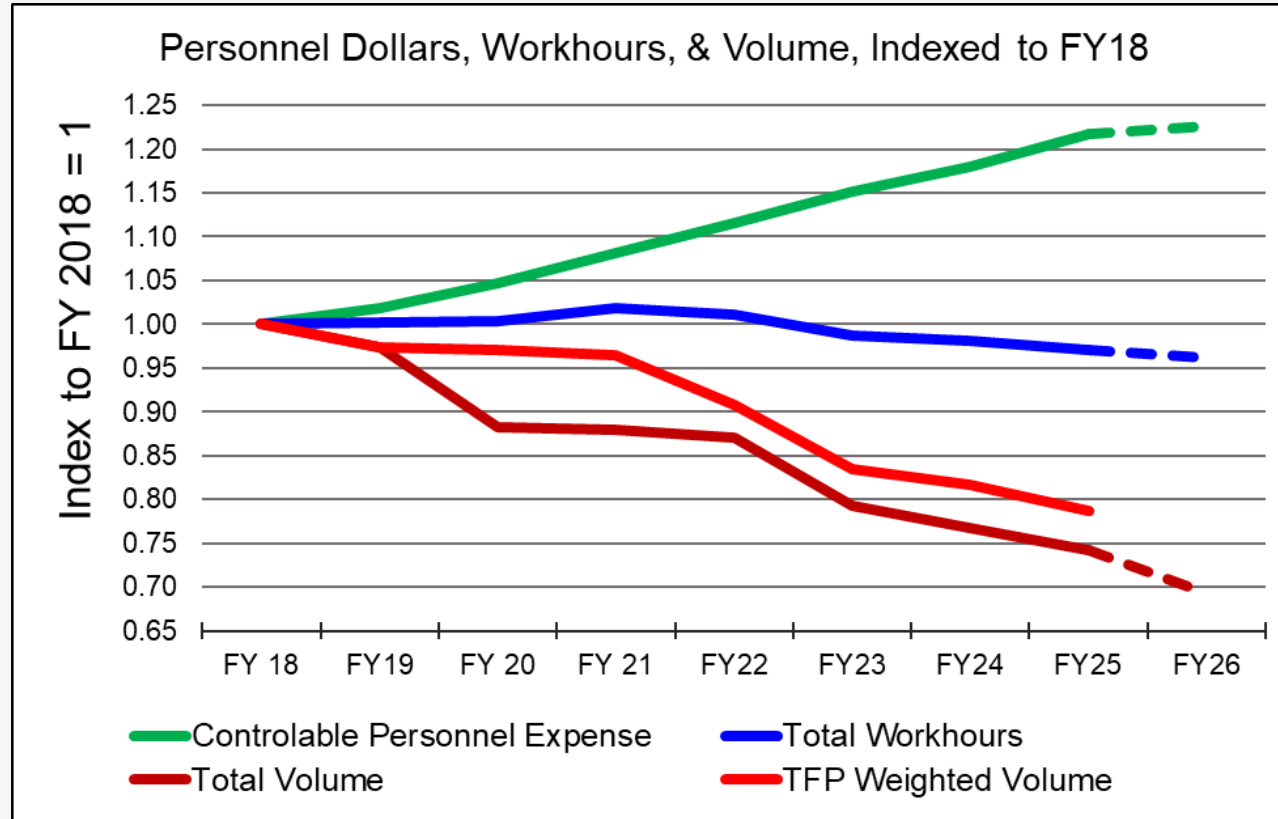
THE PRODUCTIVITY PROBLEM

- ✗ Q1 FY2026: volume ↓9.4%, workhours only ↓2.9% — productivity gap widening
- ✗ FY2025: S&B dollars ↑2.9% while workhours ↓1.0% — wages outrunning headcount cuts
- ✗ DFA missed work-hour targets by 10.8M hours FY2022–FY2024; \$174M unrealized savings (OIG)
- ✗ 286,000 pre-career employees converted to career since FY2021 — wrong direction (OIG)
- ✗ 57,000 pre-career converted to career contractually each year — structural constraint
- ✗ DFA actual expenses exceeded projections by \$11.7B in FY2023; no tracking back to plan (OIG)

WHAT MANAGEMENT IS DOING

- ✓ 56M fewer workhours over past 4 years
- ✓ 28,675 fewer employees than 4 years ago
- ✓ Air network costs down \$435M in FY2025
- ✓ Network transportation costs down \$422M vs. FY2024
- ✓ Shifting workforce mix toward pre-career (non-career)
- ✓ Insourcing local transportation

Volume, Workhours, and Dollars Trends: Going in the Wrong Direction



How USPS's Financial Condition Flows into Carrier Contracts



Contract Consolidation

USPS continues rationalizing its supplier base. Fewer, larger contracts reduce admin costs but increase concentration risk for USPS-dependent carriers.



Rate Pressure Intensifying

With controllable losses of \$1.8B planned for FY2026 and cash declining, USPS procurement is under heightened pressure to reduce transportation unit costs at renewal.



Network Still Restructuring

17 RPDCs now active; 179 SDCs launched. RTO covers 13,200+ post offices. Savings projections behind plan. Lane changes will continue through 2026–27.



Amazon Volume Decline

Amazon is radically reducing volumes in the USPS network as it expands rural delivery capacity. Package volume already down 12% in Q1 FY2026 — a major revenue headwind for USPS and for carrier volumes on parcel lanes.



Liquidity Risk to Payments

USPS unrestricted cash projected to fall to \$1.3B by end of FY2026. Vendors and carriers should monitor payment timing and strengthen contract payment terms now.



DDU Risk: Risky Growth Bet

USPS's DDU (Destination Delivery Unit) package revenue initiative is described by industry analysts as 'risky and uncertain.' Carriers on parcel lanes should not assume volume stability.

What Congress Must Do — and When

LESS THAN 12 MONTHS

PMG Steiner, March 17, 2026: "At our current run rate and if we continue to pay our required obligations... we will be out of cash in less than 12 months."

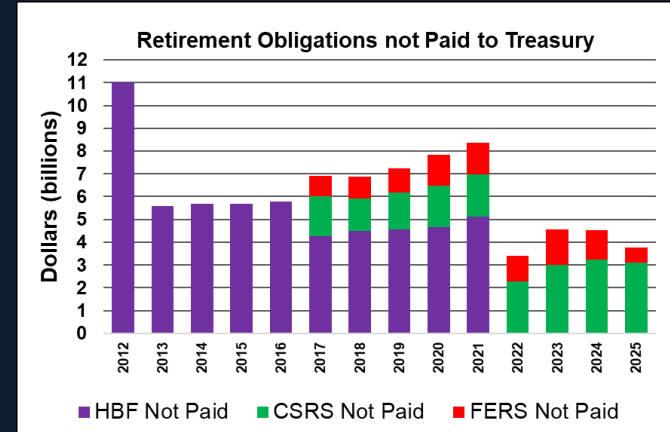
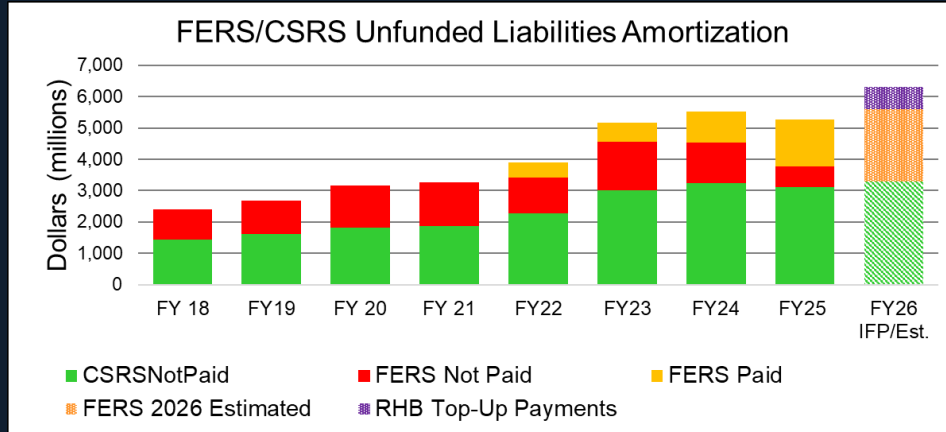
THE CASH MATH (FY2026 PROJECTION)

Liquidity end of FY2025	\$8.2B
Less: CSRS/FERS/HBF payments	-\$6.3B
Less: operating cash burn (~\$1.9B)	-\$1.9B
= Projected unrestricted cash	\$1.3B

WHAT CONGRESS IS LIKELY TO CONSIDER

IMMEDIATE	Raise Borrowing Authority	\$15B cap unchanged since 1992. Steiner: 'one small and easy action' that buys time. Bipartisan support signaled at March 17 hearing by Sessions and Comer.
NEAR-TERM	CSRS Pension Reapportionment	OPM overstated USPS obligations by \$80–153B (OIG/Steiner). Saves \$3.5B/year. No stakeholder opposition. Administrative or legislative.
NEAR-TERM	Stamp Price / Pricing Authority	At 78¢, lowest in industrialized world. Raising to 90–95¢ would 'largely solve our controllable loss' (Steiner). PRC petition pending.
HIGH IMPACT	Retirement Fund Investment Reform	Law restricts USPS to Treasury-only investments. OIG: a 60/40 portfolio would have produced \$1.2T vs. actual \$298B — \$900B in foregone returns (OIG RISC-WP-23-005).
LONGER-TERM	Workers' Comp Reform / USO Review	FECA reform: \$4.15B in 10-yr savings potential (OIG). Delivery day reduction saves \$2.9–3.5B/year but requires legislation; politically difficult.

Unfunded Liabilities



Practical Steps for Surface Transportation Carriers



Map Your Exposure — Including Amazon-Affected Lanes

Quantify USPS revenue concentration. Identify which lanes carry Amazon-originated volume — these face near-term decline. Cross-reference your facilities against the RPDC and SDC deployment schedule.



Engage Your Contracting Officer Now

USPS Supplier Management will not proactively alert you to network changes or cash constraints. Proactively request briefings on facility and lane plans. Build relationships at multiple levels before the crisis is announced.



Audit Your Contract for Payment and Change Provisions

With USPS cash projected to reach \$1.3B by year-end, payment risk is real. Review payment terms, termination for convenience provisions, and change-in-scope clauses. Ensure you have appropriate notice and compensation rights.



Monitor Congressional Action Closely

The March 17 House hearing signals Congress is engaged. Watch for borrowing authority legislation and CSRS reform proposals — these are the two most likely near-term actions. Either would provide material relief and affect USPS contracting behavior.



Diversify Revenue Away from USPS Concentration

Carriers with >20–25% USPS revenue concentration face meaningful risk.

KEY TAKEAWAYS

What Surface Carriers Should Remember

01

The crisis is structural AND operational. Non-controllable costs drove ~70% of FY2025 losses. But the DFA plan missed its own labor targets by 10.8M work-hours and \$11.7B in expenses (OIG, 2024) — the controllable piece is also underperforming.

02

The 2027 cash cliff is real and the long-term trajectory is worse. USPS cash falls to \$1.3B by end of FY2026. The Health Benefit Fund depletes in FY2031, adding ~\$6B/year in costs by FY2032 (OIG, Jan. 2024). Short-term relief is necessary but not sufficient.

03

Amazon's pullback is accelerating the volume collapse. Package volume down 12% in Q1 FY2026. Meanwhile the OIG projects another 29–41% decline in traditional mail volume by 2035. The revenue base will not recover.

04

Congress has the tools — the question is will and timing. Raising borrowing authority is immediate and bipartisan. CSRS reform saves \$3.5B/year. Investment reform could ultimately solve the retirement crisis (\$900B in foregone returns per OIG). Watch for action before year-end 2026.



HansonBridgett

Q&A

Questions & Discussion

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