

Postal Updates for the week of December 29th, 2025

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Postage Setting Primer

Below outlines the process of how postage rates have been set from 1792 to today.

- **The Congressional Era (1792 - 1970)** - For nearly 180 years, the U.S. Post Office Department was a cabinet-level agency, and changing a stamp price literally required an **Act of Congress**.
- **The Break-Even Era (1970 - 2006)** - The Postal Reorganization Act of 1970 removed the Post Office from the President's Cabinet and created the modern USPS. The law



required that revenue from all mail classes must roughly equal the total costs of the Postal Services. Rates were set based on “cost-of-service” hearings, which often took nearly a year to complete. Eventually, this policy failed due to multiple factors.

- **The “Price Cap” Era (2006 - Present)** - The *Postal Accountability and Enhancement Act (PAEA) of 2006* fundamentally changed the philosophy of rate-setting to mimic a private utility. For the first time, “Market-Dominant” products were tied to the Consumer Price Index (CPI). Part of the law mandated that the Postal “Regulatory” Commission complete a 10-year review of whether the new rate-making system was meeting the goals Congress established for rate regulation under PAEA.



In 2017, the Commission reviewed the CPI price cap rate-setting process and found that rate regulation was NOT working as intended by the law. This kicked off the docket [RM2017-3](#).

- The outcome of that docket was [Order No. 5763](#) issued on November 30, 2020. It gave USPS the authority to raise rates above the CPI through three new factors: the Density factor, the Non-compensatory surcharge, and the now-expired Retirement factor.
 - This rule also established that the PRC should review the effects of the final changes in five years' time.
- That review began in 2024 under the consolidated docket [RM2024-4](#).
 - In the docket, the PRC issued Order Nos. 8891, 8892, and 8893, which outline their intention to use a phased approach with their findings.
 - **Phase one** identifies why the changes are needed, noting that the current rate-making system does not meet the objectives and factors of the law.
 - **Phase two** proposes two changes
 - (1) restricting the Postal Service from adjusting Market Dominant rates **more than once per year** for the next five years.
 - (2) restricting the Postal Service from setting workshare discounts **farther away from their avoided costs**.
- **Neither of these has been finalized, so they are not in effect today.**

Under this review, the PRC “invited Interested persons to provide written comments to facilitate the Commission’s review of the ratemaking system. Commenters are encouraged to **comment as generally or specifically as they deem appropriate.**”

- That invitation has now led us to the [petition submitted last week](#), on 12/22, by the Postal Service.

USPS Petition to Modify the Market-Dominant Ratemaking System.

The USPS is requesting to replace the current inflation-based "price cap" system with a more flexible regulatory monitoring approach (**eliminate the price cap**).

- **Increased Authority:** Under this new model, the USPS Board of Governors would have the power to set rate parameters over a five-year period and **would not be tied to the current price cap of CPI** and additional rate factors.
- **Forward Guidance:** To provide predictability for mailers, the USPS commits to providing advance notice on filing dates, implementation dates, and a total price "ceiling" for the five-year review period.
 - The first forward guidance would call for a **January 17th, 2027** price increase of an average **7.4%**, ranging from 6% for Marketing Mail to 12% for Periodicals. **First-Class mail would see an 8% increase.**
 - **This would not prohibit a price increase in July 2026.**

If the PRC keeps the price cap, USPS has provided an alternative proposal.

- **Alternative "Reset":** The USPS requests a "rate reset" of at least 22% in additional pricing authority to bridge the gap between revenue and operating costs. **The 22% would be banked for use over a five-year period.**

What's Next?

Based on standard regulatory procedures and the "phased" approach the PRC has already established, the following steps are expected:

The PRC will likely issue a notice in the Federal Register acknowledging the USPS petition and establishing a formal docket for consideration that would include a comment and reply comment period. **Grayhair will keep you apprised of any developments**

2026 Mail Growth Incentive (MGI)

January 1, 2026, marks the start of the Incentive Performance Period for the 2026 MGI program. This is the third year that USPS has offered this opportunity, but the first time that the Incentive baseline period will be the year before the calendar year (Jan 1 - Dec 31) vs. the fiscal year (Oct 1 - Sep 30).

The credit amount will again be **30% postage credit** for qualifying volume that exceeds the established baseline. There are two separate incentives: one based on a mailer's First-Class presort and automation letters, cards, and flats volume, and the second on qualified Marketing Mail. The credits earned under each incentive may be applied only to the class of mail that earned them.

The registration period is March 2026 - May 2026.

USPS provides multiple resources to learn more about the Incentive.

- [First-Class Mail and Marketing Mail Growth Incentives FAQs](#)
- [Mail Growth Registration Deck](#)
- [Mail Growth Terms & Conditions](#)

When the program began, many catalogers believed they could only benefit based on a 'every other year' model. It will be interesting to see whether 2026 sees the same level of participation as 2024.

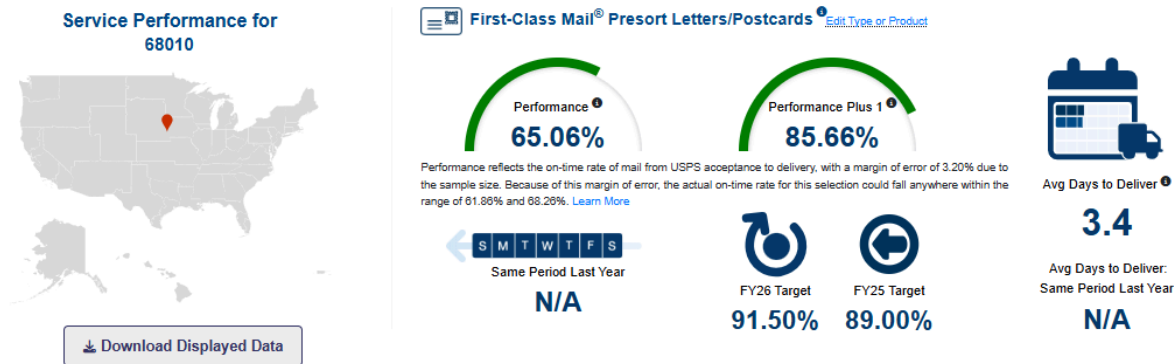
USPS Services Updates

Mail delivery on time service has taken a recent dip. It typically occurs during the shipping peak season, but it is still never welcome.

Using the USPS [Service Performance dashboard](#) for the week of 12/6-12/12:

Inbound First-Class presort letters and cards, looking at various cities around the country, ranked from best to worst:

- Into Los Angeles, CA 90010 - **89.67%** on time 96.06% + 1 day
- Into Dallas, TX 75001 - **85.67%** on time 94.26% + 1 day
- Into New York, NY 10010 - **84.75%** on time 96.22% +1 day
- Into Chicago, IL 60601 - **72.60%** on time 86.29% + 1 day
- Into Nebraska, IA 68010 - **65.06%** on time 85.66% + 1 day



Now looking at Marketing Mail:

Results show that destination entry through the SCF network provides greater stability and more consistent In-Home delivery services.

To see the destination entered site-specific SCF’s performance, use the [IMb Planning Tool](#).

Nationally for the period of 12/19 - 12/24

SCF entered **Marketing Mail letters** delivered **95.36%** on time. The number of days to reach 99% has risen in the month of December from an eight-week trend of +1.5 to this last week of +3.

SCF entered **Marketing Mail flats** delivered **92.8%** on time, taking a +4 days to reach 99%.

Here is hoping that as the USPS winds down from the holiday peak season, mail delivery times will improve.

USPS November Unaudited Financials

The Postal Service published its November unaudited financials with the PRC, as it does for every month that does not end a quarter. These are typically released on the 23rd of the following month, and include the revenues, operating expenses, and volumes. For months that do end a quarter (December, March, June, September), the financials are released in a 10-Q along with the Revenue, Pieces, Weight data (RPW).

For November, the USPS revenue was very close to the planned numbers, which is **1.4%** lower than November of 2024. This year, November had one more delivery day than November last year.

REVENUE:
in millions

	November 2025 Unaudited					Year-to-Date (Oct 1 - Nov 30, 2025)				
	Actual	Plan	SPLY	% Plan	% SPLY	Actual	Plan	SPLY	% Plan	% SPLY
Total Revenue	\$6,805	\$6,815	\$6,931	-0.20%	-1.40%	\$14,124	\$14,244	\$14,565	-0.80%	-3.00%
Net Loss	(\$522)	(\$542)	(\$664)			(\$1,097)	(\$762)	\$37		

The Market Dominant mail volume was down **9.3%** from November 2024. The lack of political/election mail this year, which USPS saw last October/November, is the largest contributor to the mail decline. For the first two months of the USPS fiscal year, the volume is down **12.3%**.

The larger unplanned loss was in the competitive market, down **9.5%** over SPLY.

MAIL VOLUME:
in millions

	November 2025 Unaudited					Year-to-Date (Oct 1 - Nov 30, 2025)				
	Actual	Plan	SPLY	% Plan	% SPLY	Actual	Plan	SPLY	% Plan	% SPLY
Market Dominant	8,301	8,298	9,156	0%	-9.30%	18,030	17,658	20,566	2.10%	-12.30%
Competitive	517	531	571	-3%	-9.50%	1,009	1,070	1,148	-5.70%	-12.10%

Below are the revenue and volume for November and the fiscal YTD at the product level.

Revenue:
PRODUCT LEVEL:
in thousands

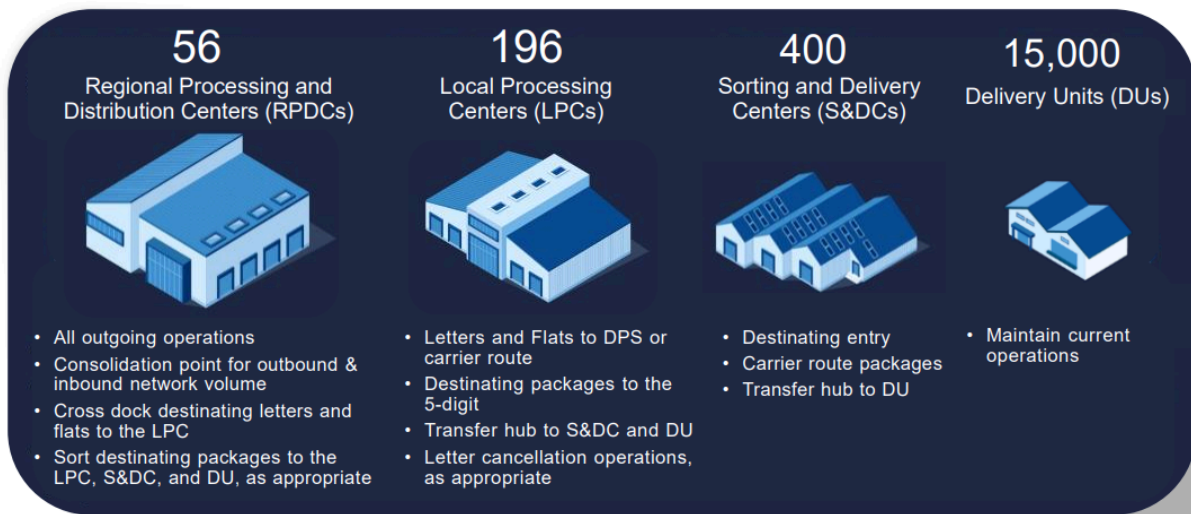
	Revenue November 2025			Revenue Year-to-Date		
	2,025	2,024	% SPLY	2,025	2,024	% SPLY
First-Class	\$2,032,135	\$2,091,970	-2.90%	\$4,370,652	\$4,444,824	-1.70%
Marketing Mail	\$1,423,295	\$1,482,604	-4.00%	\$3,206,666	\$3,449,249	-7.00%
Shipping & Packages	\$2,781,326	\$2,725,968	2.00%	\$5,396,938	\$5,410,423	-0.20%
International	\$74,345	\$122,666	-39.40%	\$139,290	\$241,138	-42.20%
Periodicals	\$70,001	\$77,103	-9.20%	\$150,099	\$163,736	-8.30%
Total Operating Revenue	\$6,800,949	\$6,894,311	-1.40%	\$14,123,842	\$14,564,561	-3.00%

Volume:

PRODUCT LEVEL:	Volume November 2025			Volume Year-to-Date			
	<i>in thousands</i>	2,025	2,024	% SPLY	2,025	2,024	% SPLY
First-Class		3,153,156	3,498,536	-9.90%	6,738,649	7,346,767	-8.30%
Marketing Mail		4,790,499	5,278,092	-9.20%	10,676,370	12,538,037	-14.80%
Shipping & Packages		516,591	571,381	-9.60%	1,008,971	1,148,174	-12.10%
International		13,547	21,913	-38.20%	25,043	43,111	-41.90%
Periodicals		181,601	216,795	-16.20%	382,921	459,327	-16.60%
Total Volume		8,831,606	9,749,239	-9.40%	19,064,433	21,757,378	-12.40%

Update on the USPS Processing Network

The network modernization was announced back in March 2021 under the [Delivery For America Plan](#) (DFA). Since that time, there have been multiple USPS Office of Inspector General (OIG) audits, Congressional reviews, and USPS-provided progress reports, both in the year [2022](#) and [2023](#). While there were changes to the timelines of meeting financial targets, the fundamental objectives of the plan didn't change, with modernizing the network region by region continuing to be a key element to the plan.



The [Save the Post Office website](#), which provides information about post office closures, suspensions, and consolidations, posted a new article summarizing the current status of the network rollout. The site's administrator, Steve Hutkins, provides very useful links and maps to help visualize the landscape.

Using USPS-provided data from their reports to the PRC, **Save the Post Office** has consolidated the filings to provide the most current and accurate information on the number and locations of USPS-planned RPDCs, LPCs, and S&DCs.

Regional Processing and Distribution Centers (RPDC) originally planned for 60; the latest USPS numbers show 56, with 14 currently operational. Ten of those are repurposed/remodeled sites, and 4 are new facilities: Indy, Charlotte, Kansas City, and Memphis.

- o Will do originating sorting operations to sort mail for its region to the LPC level; all other mail will be sorted to the other RPDCs.
- o Mail for other RPDC regions will be transported directly to their origin RPDC, or through Regional Transfer Hubs (RTH) for cross-docking to origin RPDC.
- o Parcels for the RPDC region will be sorted to the 5D level and transported to the RPDC regions S&DC, who will keep their areas' ZIP Codes and transport the other 5D groupings

Local Processing Centers (LPC) numbers have shifted between 200 and 190. 26 of the planned LPCs will be co-located within RPDCs, leaving around 170 free-standing LPCs. 27 are either active now or in the renovation stage to open soon.

- o Will receive mail by USPS from upstream RPDC, and from mailers for DSCF discounts.
- o Will be used to consolidate originating local mail to send upstream.

Here is the [list of RPDC and LPC sites](#) as shared with the PRC in October 2024. The map below displays the locations of the activated RPDC & LPCs.



As an update on the **Sorting and Delivery Centers (S&DC)** the site walks through the [original projections to the current status of the number of sites](#). The original plan called for about 400 to 500 S&DS from as many as 7,000 of the approximately 19,000 Post Offices that have carriers. Current plans state that about 4,000 post offices will be consolidated into S&DCs, which is about a 50% change from the original plan. As of November 2025 USPS has launched 148 S&DCs.

- o Letters arrive from upstream LPC sorted in walk sequence for carriers. Flats arrive in walk sequence or carrier route, packages are sorted using automated sorters.
- o Traditional DDUs will remain in areas where based on density and distance it does not make sense to consolidate.
- o Will be used to consolidate originating local mail to send upstream.



Below is a depiction of the sites.



All maps sourced from the [Save The Post Office website](#).

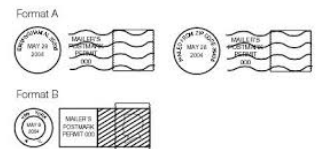
2025: A Postal Year in Review

As 2025 draws to a close, it is a worthwhile investment to review the year's activities in the postal world. There have been many notable events and changes over the last year. Below are just some of the ones that come to mind in chronological order.

- **January 9: [National Day of Mourning](#).** USPS suspended regular mail delivery and retail services in observance of the funeral for former President Jimmy Carter.
- **January 19: [First Postage Rate Increase \(Competitive Products Only\)](#).** Shipping services prices rose (Priority Mail increased ~3.2%, Ground Advantage ~3.9%, and Parcel Select ~9.2%).
- **January 31: [Advisory Opinion on "Delivering for America" \(N2024-1\)](#).** The PRC issued a critical opinion on proposed nationwide service changes. The Commission warned that the plan underestimated negative impacts on rural areas and expressed skepticism regarding projected cost savings.
- **February 26: [Service Standard Refinement, \(Regional Transportation Optimization {RTO}\)](#).** USPS announced a major shift in how mail is routed to save \$3.6 billion annually, focusing on moving mail from air to surface transportation
- **March 24: [Postmaster General DeJoy steps down](#).** Louis DeJoy announced his exit from the USPS after serving nearly five years as the 75th PMG. 
- **March 28: [FY 2024 Annual Compliance Determination \(ACD\)](#).** The PRC filed its legal assessment of the previous year's performance, identifying areas where USPS failed to meet service standards and legal rate requirements.
- **April 1: [Phase 1 Implementation \(RTO\)](#).** New service standards began. A key change included excluding Sundays and holidays from service performance calculations for mail accepted on Saturdays.
- **April 10: [Notice of Market-Dominant Price Change \(R2025-1\)](#).** The USPS filed notice with the PRC for the July rate hike. This filing detailed the 5-cent increase for Forever stamps and the overall 7.4% increase for mailing services.
- **April 27: [National Postal Forum \(NPF\)](#).** The NPF kicked off this year with an 'acting' PMG Doug Tulino.
- **May 9: [Board of Governors announces new PMG](#).** The BOG appoints David Steiner to be the 76th Postmaster General (PMG) and CEO of the United States Postal Service. 
- **July 1: [Phase 2 Implementation \(RTO\)](#).** Further workflow optimizations were enacted, expanding the reach of 2-day and 3-day service standards by moving dispatch times earlier at Regional Processing Distribution Centers (RPDCs).
- **July 13: [Second Postage Rate Increase \(Market Dominant & Competitive\)](#).** The price of a **First-Class Forever Stamp increased from 73¢ to 78¢**. Overall, mailing services prices rose by approximately 7.4%. Many mailers were taken by surprise by the "additional rate authority" calculations showing their mail rates increasing by **8%-12%**.



- **July 15: New Postmaster General starts.** [David Steiner](#) officially took office as the 76th Postmaster General (PMG) of the USPS.
- **July 26: USPS turns 250.** The Postal Service celebrated its 250th birthday, which makes it officially one year older than the United States.
- **October 5: Peak Season Surcharges Begin.** Temporary price increases took effect for Priority Mail, Priority Mail Express, and Ground Advantage (scheduled to last until January 18, 2026).
- **November 14: 2026 Rate Forecaster.** In a rare move for predictability, USPS filed a notice confirming there would be no price increase for mailing services in January 2026, a filing that the PRC formally acknowledged to provide stability. On that same date, the [USPS FY25 financials](#) were released. The postal service reported its revenues, expenses, and volumes for its fiscal year. An **\$8.97B Net Loss**.
- **December 1: Logistics Disruption.** One of USPS's largest surface mail haulers, *10 Roads Express*, announced it would wind down operations, signaling a shift in the postal trucking network.
- **December 17: Parcel Auction.** USPS announces bid solicitation for access to the last-mile delivery network.
- **December 22: USPS files to modify the Market-Dominant Ratemaking System.** The Postal Service filed a petition to ask the PRC to remove the price cap; while giving mailers a commitment of nine months of advance notice and a once-a-year increase, they additionally filed an alternative proposal of keeping the price cap but allotting USPS an additional 22% to use over the five years starting in 2027.
- **December 24: New Postmarking Rule.** USPS began a new practice of postmarking mail at regional centers rather than local offices. This led to warnings for year-end charitable donors that mail dropped off on Dec 31 might not receive a 2025 postmark.



Here's looking ahead to 2026 and all that it brings!

A Personal Note

I find myself reflecting on what has been a truly defining year. This wasn't just any year—it was my **first full calendar year with [GrayHair Software](#)**, marking a significant new chapter in my professional journey.

Joining this team was a leap of faith for me. After more than twenty years in postal affairs at a much larger, production-heavy organization, moving to a smaller, privately-owned company in



the postal data space was a major shift. I came here seeking a specific culture—one defined by inclusive leadership and a tight-knit environment. Looking back, those values have proven to be exactly what I anticipated, confirming every day that I made the right decision.

Beyond the culture, the unexpected professional growth and personal rewards I've found here give me immense confidence as we head into 2026.

Our People: I've been fortunate to join a team that doesn't just "show up" for the job; they show up for each other and, most importantly, for our customers. That level of camaraderie is rare and is the heartbeat of this company.

Our Customers: To our clients and partners—thank you! Getting to know your businesses, listening to your feedback, and seeing how our work directly impacts your operations has given my role a renewed sense of purpose.

Looking Ahead to 2026

While 2025 was about learning the landscape and finding my footing, 2026 is about growth. There is a unique momentum that builds when a team and its customers truly trust one another. I am honored to be a part of this community, and I can't wait to see what we build together in the coming year.



I am also excited to share that I will be taking on the leadership position of the [Mailables Technical Advisory Committee](#) (MTAC) as the Industry Co-Chair in January 2026.

Happy New Year!

For more information on these topics or other postal issues, contact GrayHair Software at engage@grayhairsoftware.com

