

Mailers Hub News

May 2026 Summary *From the May 4 and 18 issues*

[May 4] *As Some Business Leaves, Other Business Returns*

As the volume (and revenue) of traditional hard-copy market-dominant mail continues to falter, the Postal Service – out of necessity – has increasingly turned to competitive products, i.e., packages, as an alternative source of support for its delivery infrastructure.

As has been reported previously, after months of negotiations, the Postal Service and Amazon, its largest single package customer, came to terms on a new negotiated service agreement. Its current agreement ends in October but a challenge to its renewal emerged when the Postal Service decided last year to hold a “reverse auction” for shippers (including Amazon) to access the agency’s last mile delivery network. Following that announcement, there was considerable doubt that Amazon would engage in the process, instead favoring to have its own separate deal.

Fortunately for the USPS, an agreement was reached, but the volume of packages Amazon would deliver through the Postal Service would be reduced by about 20%, with the remainder insourced to the company’s own delivery fleet. (As Amazon continues to build out its own delivery capabilities, some observers have predicted that will enable it to further trim – or eliminate – what it now sends to the USPS.)

Meanwhile, as was reported last January, United Parcel Service agreed to resume tendering some of its Ground Saver packages to the USPS for delivery. That arrangement had existed previously under the SurePost program but was suspended when former postmaster general Louis DeJoy sought to get shipping customers to use the USPS directly, cutting out partners like UPS. As a not surprising consequence, UPS fully insourced the volume that it had been giving the USPS.

The company did not find that to be beneficial. As reported April 30 by *Supply Chain Dive*,

“ ‘This change provided us greater operational control and service quality with respect to this product,’ UPS said in its 2025 financial report. ‘However, this insourcing pressured our operating results, as pickup and delivery costs were higher than in 2024.’ ”

Perhaps not coincidentally, soon after DeJoy left and was replaced by current PMG David Steiner, discussions opened that led to UPS returning to the USPS. As further reported by *Supply Chain Dive*, UPS CEO Carol Tomé offered details during an April 28 earnings call. After implementing the new Ground Saver agreement in January, UPS sent about 977,000 parcels a day to the USPS for last-mile delivery in Q1. That level of delivery activity equates to about 44% of Ground Saver volume.

She described Q1 as a ramp-up for the two parties, as they had to “work through dual labeling” and other transition requirements. The carrier aims to increase its Postal Service handoffs in Q2, with roughly 1.5 million packages per day expected to be tendered to the agency. The renewed partnership not only supplies much-needed business to the Postal Service but also allows UPS to realize operating efficiencies.

Supply Chain Dive added that boosting profitability on a per-package basis has been a priority for UPS. To achieve that, the company is reducing the volume it delivers for Amazon and working to attract packages from more lucrative customer segments like small businesses. At the same time, UPS is “leaning away from” lower-yielding deliveries – such as volume from China e-commerce retailers – and letting other carriers absorb those packages.

The irony of the situation is obvious. Though DeJoy thought pushing away volume from UPS would cause it to flow to the Postal Service, the opposite happened. Now that Steiner has chosen to reverse DeJoy’s course, the USPS actually is getting *more* package business. Moreover, as the agency works with its “competitor,” the business UPS wants to shed could mean still even more last-mile volume for the Postal Service. The lesson of the UPS relationship might suggest to Steiner that other strategies of DeJoy’s vaunted 10-Year Plan have their own flaws that he might want to similarly correct.

[May 18] *USPS Reports Second Quarter Results*

On May 8, the Postal Service filed its *Form 10-Q* for the second quarter of Fiscal 2026 with the Postal Regulatory Commission. That report summarized the agency’s financial results for the January-March 2026 time period.

For the quarter, the USPS reported higher revenue (\$20.168 billion) and lower expenses (\$22.111 billion) compared to PQ II of FY 2025, but the result was still a net loss of \$1.95 billion. Though the Postal Service improved its quarterly results significantly compared to the same period last year, it still has a slightly larger loss at the halfway point of the year, meaning the second quarter’s performance has to be echoed in the third and fourth quarters if the results for FY 2026, to be disclosed in the fall, will be better than FY 2025.

UNITED STATES POSTAL SERVICE STATEMENTS OF OPERATIONS (UNAUDITED)				
(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2026	2025	2026	2025
Revenue:				
Operating revenue	\$ 20,167	\$ 19,704	\$ 42,402	\$ 42,203
Other revenue	1	2	6	40
Total revenue	20,168	19,706	42,408	42,243
Operating expenses:				
Compensation and benefits	13,774	13,745	28,449	28,398
Retirement benefits	2,703	2,675	5,394	5,370
Retiree health benefits	175	—	350	—
Workers' compensation	140	1,407	626	1,259
Transportation	2,043	2,029	4,284	4,227
Other operating expenses	3,276	3,204	6,506	6,265
Total operating expenses	22,111	23,060	45,609	45,519
Loss from operations	(1,943)	(3,354)	(3,201)	(3,276)
Interest and investment income	114	197	243	410
Interest expense	(121)	(135)	(251)	(282)
Net loss	\$ (1,950)	\$ (3,292)	\$ (3,209)	\$ (3,148)

See accompanying notes to the unaudited financial statements.

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2026	2025	2026	2025
Operating Revenue:				
First-Class Mail	\$ 6,615	\$ 6,646	\$ 13,720	\$ 13,683
Marketing Mail ¹	3,875	3,665	8,336	8,251
Shipping and Packages ²	8,080	7,732	17,393	17,068
International	240	336	490	719
Periodicals	204	214	427	456
Other ³	1,153	1,111	2,036	2,026
Total operating revenue	\$ 20,167	\$ 19,704	\$ 42,402	\$ 42,203
Volume:				
First-Class Mail	10,253	10,944	21,076	22,469
Marketing Mail ¹	13,107	13,220	28,063	30,008
Shipping and Packages ²	1,570	1,592	3,341	3,606
International	52	68	102	146
Periodicals	531	601	1,099	1,282
Other ⁴	60	59	237	253
Total volume	25,573	26,484	53,918	57,764

Ground Advantage, it may have been selling against itself, distracting customers from Priority Mail that would have generated higher unit revenue.

In conclusion, the Postal Service again warned about its insufficient liquidity, citing a variety of factors as causes for its financial condition. The complete *Form 10-Q* is available from the PRC website at <https://prc.arkcase.com/portal/filings/139945>.

[May 18] PQ II Service: Exceptions Continue to Exclude Volume from Measurement

The granular PQ II service performance data released May 12 reinforces doubts about whether the figures the agency uses in its publicity truly represent the service experience of the entire associated class or category of mail. Significant quantities of mail remain not “in measurement” for any of several reasons. Mail volume may vary (for example, last year, PQ I had election mail offering a temporary boost for Marketing Mail), so it’s the *proportion* of excluded mail that warrants attention.

Consistently, the leading causes of exclusion from measurement are “long haul,” “no piece scan,” and “no start-the clock.” The “long haul” exclusion, which mainly impacts Presort First-Class Mail, was supposedly remediated by a change that was approved by the PRC and implemented by the USPS at the end of May 2022, but exclusion for that reason still represents significant volume.

The other two leading reasons – representing well over half of all excluded volume – relate to the failure to capture a necessary container or mailpiece scan. The reasons for this vary: a documentation gap or omitted scans on the inbound dock, or because the mail wasn’t processed on automation: the USPS does not differentiate. Regardless, all missing scans cannot be attributed to errors by the mail preparer.

Why the Postal Service has failed to take effective action to reduce the volume of excluded mail hasn’t been explained. Regardless, so long as these exclusions persist, preparers of the associated mail will be unable to confirm that the service the USPS claims is actually what their mail receives.

[May 18] PQ II Service: Performance Worsens From Previous Quarters

PQ II/FY 2026 service performance was generally worse than the previous quarter even though the targets were only slightly different than in FY 2025. PQ II/FY 2026 national level scores also were lower than the previous quarterly scores for the past three quarters – or more in some cases.

Moreover, only mail “in measurement” is reflected in USPS service scores and, for Marketing Mail, little other than

However, looking at the workers’ comp expense may reveal why the total results looked so much better; that single expense fell by nearly \$1.3 billion compared to PQ II last year, and that alone represents nearly all the total decrease in expenses. Such a “windfall” is unlikely to happen again over the rest of the year; expense reductions will need to be generated elsewhere.

In reporting its financial performance, the Postal Service regularly emphasizes the adverse effect of “uncontrollable expenses,” like workers’ comp and mandated retirement funding, when explaining losses, so it was notable that there was less moaning about them in PQ II when they actually helped the bottom line.

Not surprisingly, though price increases helped buoy revenue, volume continued to ebb compared to PQ II/FY 2025.

More worrisome is the weakness of the Postal Service’s package business. The 4.5% increase in revenue may be good news for an agency that wants to grow its shipping and package revenue to offset the loss of mail volume, but the concurrent year-over-year 1.4% loss of volume should be concerning. Moreover, shippers seem to be shifting away from Priority Mail to lower cost Ground Advantage service, resulting in less revenue from about the same volume. While the USPS has promoted

destination-entered mail is measured, clearly skewing what would be the true Marketing Mail scores if the less efficient origin-entered mail were better represented in the mix.

Reflecting the usual pattern, districts in the west consistently perform better; WestPac Area had 28 out of 32 best quarterly scores for First-Class Mail and Marketing Mail while Central Area had 20 of the 32 worst.

For First-Class Mail, most districts missed overnight, 2- and 3-day targets; but most met targets for 4- and 5-day service. Only 9 districts (CA 1 through 6, HI, ID/MT/OR, and WA) *met all* the targets; none of the 50 districts *missed all* the targets.

For Marketing Mail, most districts missed the service targets for letters, flats, and carrier route mail. Six districts (AZ/NM, CA1, CA3, ID/MT/OR, NV/UT, and TX3) *met all* the targets, while 31 *missed* them all.

Scores for Periodicals are not reported below the area level. The national level score, and three of the area level scores (except for WestPac), failed to achieve the service target. More granular data is available from the PRC at <https://prc.arkcase.com/portal/filings/139968>.

[May 18] No, Service is Not Improving – Commentary

Apparently there are executives in the Postal Service who believe that an aspirational job title or a variety of data manipulations will convince commercial mailers and their ratepaying customers that the USPS is providing “world-class” service that’s only getting better.

Unfortunately for them, the agency has a regulator who prefers facts and figures over spin and obfuscation and, in turn, requires and distributes information that makes the nonsense emanating from the USPS HQ echo chamber all the more conspicuously disingenuous.

Essentially, the Postal Service doesn’t want us to look at what the required data says, and instead wants us to believe the tales of good service they prefer to tell. Unfortunately for them, again, the service scores for the second quarter of FY 2026 (January–March) inconveniently reveal that service performance is getting worse, not better, and is nowhere near deserving of the adulation the USPS awards it.

Service wasn’t always as bad, and service standards weren’t always as lenient, as is the situation today.

The Postal Service had a dense processing infrastructure, with facilities and transportation networks designed and dedicated to moving mail and packages as appropriate to their price and class of service. Service standards were more stringent and, though they sometimes failed, the USPS still strove to meet them.

All of this looked very disorganized, but it worked, and service was decent. The people who ran the USPS mostly had come up through the ranks and, even with the burden of institutionalized thinking, they understood how the Postal Service operated and the reasons why, for better or worse, things were the way they were.

Then Louis DeJoy happened. He was a trucking guy, liked to move stuff in trucks, and believed his background in operating a trucking company was easily transferable to the USPS. Though he had no evident experience running a *postal* system, he considered himself competent to identify all the flaws in the Postal Service and define the actions to remedy them – he quipped often about it was all simple to him.

Nine months and five days after taking office DeJoy issued his 10-Year Plan, and support for it readily became the standard by which DeJoy evaluated who was on his side and who wasn’t. Those who disagreed were ostracized or forced out, those who chose to go along were retained, and those who enthused about his Plan got featured roles.

DeJoy’s Plan reflected his view of the USPS as a logistics operation moving generic stuff from Point A to Point B. The dedicated networks and the movement of mail by air to achieve service were inefficiencies in the operation; trucks that weren’t full were bad, as was not leaving on time because expected loads weren’t available; and there were too many facilities – “randomly located” in his view – that needed to be consolidated into new superhubs. He ordained that the varied products that the USPS handled were to flow together through an “integrated network” focused on full trucks and efficiency. He would spend tens of billions – raised through aggressive price hikes – to revamp processing facilities and the postal networks to embody his vision.

DeJoy didn’t understand why the postal infrastructure he found was they way it was; if anyone tried to explain it to him, he clearly didn’t listen. At the same time, those who mirrored back to him what he wanted to hear – that he was right – succeeded and advanced.

Fifty-seven months after taking office, DeJoy left the USPS. Implementation of his Plan was only half done; what had been implemented wasn’t delivering as promised; and financial results and service scores were going the wrong way.

Within a few months, David Steiner was hired as DeJoy’s replacement by governors who hoped he could save The Plan to which they were wedded. Unlike DeJoy, Steiner didn’t have a preconceived notion about a postal network so he took the time to learn about what he’d be running.

As we've observed before (see *Regime Change* in the March 9 issue of *Mailers Hub News*), Steiner's senior staff are mostly holdovers from the DeJoy era – acolytes who, out of fidelity or self-preservation, want to perpetuate The Plan; Steiner didn't replace them with his own people.

Consequently, the new PMG is surrounded by The Plan's true believers and, accordingly, fed their beliefs in The Plan's virtues and its ultimate success. Among them are executives with academic credentials but no understanding of *service* or how providing it isn't always "efficient" according to their industrial engineering texts, and others whose role is to distort actual service scores to make things look better and support the message of "service excellence."

At this point, it would be our plea that David Steiner do three things: (1) look at the bare numbers describing service performance over the past five years and see that service is worsening, not improving; (2) rid himself of staff and advisors carried over from the DeJoy era whose apparent allegiance is more to The Plan than to providing genuine service and honest service scores; and (3) openly acknowledge that service is bad but that he will work to restore it – in fact, not just in appearance.

Establishing and achieving more challenging service standards; operating bespoke logistics networks designed to meet product-specific service goals; and implementing a processing network to support truly excellent service may be less "efficient" and more costly than what DeJoy's holdovers would endorse. However, Steiner has said the USPS can do anything if someone will pay for it. In this case, ratepayers continue to pay for a level of service they're not getting, so making actual service and legitimate scores live up to the publicity – and be worth the price – only seems fair and reasonable..

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