

The Price of a Stamp: An International Comparison

RISC REPORT

Report Number RISC-WP-24-004 | March 28, 2024



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Executive Summary

The Postal Service relies almost entirely on the revenue generated from postage to fulfill its public mission and cover the costs of delivering mail. As mail volumes decline and operational costs increase, the Postal Service has sought to cover its costs by generating more revenue through increases in the price of postage. Record levels of inflation and additional pricing authorities have recently led to notable increases in the price of Market Dominant mail, including the highest revenue generating class of mail, First-Class Mail.¹ Specifically, compared to prior decades, First-Class Mail has seen more frequent price increases as well as a higher percentage of price increases since August 2021.

As the Postal Service continues its efforts towards financial sustainability, useful insights can be drawn from comparing USPS's prices to those of other countries. To highlight how the Postal Service's prices compare to other national postal operators, the U.S. Postal Service Office of Inspector General (OIG) reviewed the prices of standard domestic letters offered to retail customers from June 2018 to June 2023 across a sample of 31 countries selected based on geographical area and postal operating revenue per capita. We compared the prices for letter products in the first weight step of the fastest category, which is equivalent to a one-ounce single piece First-Class Mail letter in the United States. The OIG also examined the key factors influencing price differences between the market for U.S. standard domestic letters and the domestic markets of international posts.

Stamp Prices are Lower in the U.S. than Most International Posts

The United States is by far the largest market for the delivery of domestic mail. The Postal Service handled half of the world's domestic mail (50.2 percent) in 2021 and had among the highest mail volume per capita globally. Since 2000, domestic mail volume has also declined more slowly in the U.S.

compared to other countries, collectively. In addition to standard domestic letters, the U.S. has a sizeable market for commercial First-Class Mail and Marketing Mail. In part due to the scale and scope of the U.S. mail market as well as differences in regulatory frameworks, the Postal Service offered a 2023 nominal price (\$0.63 in June 2023) that was nearly half the average price of a standard domestic letter in the countries in the sample (\$1.20).

Stamp prices in the U.S. have also increased at a slower pace than most other posts in the sample. The price of a stamp increased by 26 percent from June 2018 to June 2023 (\$0.50 to \$0.63), which is less than half of the average increase for our sample size (55 percent) during that period. Prices also increased an average of 31 percentage points over inflation for the countries in the sample, while the price of a stamp in the United States was 5 percentage points above the rising costs of goods and services from June 2018 to June 2023.

While the rate that prices have increased has been lower in the U.S. than in many international posts, new pricing authorities established by the Postal Regulatory Commission in November 2020 allow price increases above inflation for Market Dominant products, such as First-Class Mail. Since that time, the Postal Service has increased Market Dominant product prices twice per year. The agency indicated it needed to use its new authorities whenever possible to be financially self-sufficient and maximize mail revenue. Many mailers are concerned about the effect of higher and more frequent price increases on the industry and mail volumes.

Finally, the OIG compared the affordability of each country's stamp by taking purchasing power into consideration. Despite some other countries having a lower nominal stamp price, the United States in June 2023 ranked as the most affordable national operator in the OIG's sample to send a standard domestic letter, at nearly one third (35 percent) of the average

¹ The Postal Accountability and Enhancement Act of 2006 divided postal products into two categories, Market Dominant and Competitive. Market Dominant products are products covered by the postal monopoly, such as First-Class Mail, Marketing Mail, and Periodicals. Competitive products, such as shipping and packages services, are postal products and services for which similar products and services are offered by private sector carriers.

price of the countries in the sample (\$1.81). The affordability of the U.S. stamp may have contributed to the unique scale of the U.S. market and the overall lower volume decline of standard domestic letters.

Regulatory Frameworks Affect Pricing

Differences in regulatory frameworks between the Postal Service and international posts also impact domestic letter prices. Depending on the specific regulations in each country, posts may face less stringent price controls, enabling them to raise prices above inflation. A national regulator may ease universal service provision requirements, providing cost relief to the operator and potentially reducing the frequency and extent of price increases. Finally, different inflation levels also affect price increases.

We highlight the differences in the regulatory frameworks between posts not to suggest any specific course of action in the U.S., but to emphasize their significance when reviewing differences in prices between the Postal Service and international postal entities.

Observations

Introduction

The revenue generated from postage on letters allows postal operators to cover the cost of delivering mail. Postage revenue helps operators to pay employee wages and benefits, maintain a fleet of delivery vehicles and trucks, and keep the lights on at post offices. While some posts receive government subsidies, the U.S. Postal Service generally receives no direct tax dollars and relies on ratepayers, not taxpayers to cover costs. As a result, raising the price of postage is a key tool to generate sufficient revenue to cover rising operational costs. However, raising prices risks increasing the financial burden on customers and, as a result, reducing their demand for mail further.

The Postal Service's First-Class Mail (FCM), with a standard letter size up to 3.5 ounces or about 100 grams, is the highest revenue generating class of mail, accounting for \$24.5 billion or 31 percent of the \$78.2 billion in total operating revenue for fiscal year (FY) 2023. Setting the optimal price for FCM, therefore, is integral to the overall financial health of the agency. The Postal Service increased the price of FCM 18 times since January 2000, and has raised prices more frequently in recent years, increasing prices five times between January 2021 and January 2024.

To better understand these price increases, the U.S. Postal Service Office of Inspector General (OIG) reviewed how other postal operators price standard domestic letters offered to their retail customers and how these prices compare to those charged by the Postal Service. The OIG also provided insights into the key factors influencing price differences between the market for U.S. standard domestic letters and the domestic markets of international posts. We scoped our analysis to reviewing postal operators in a sample of 31 countries from June 2018

to June 2023. To meet our objectives, we reviewed relevant documentation, interviewed Postal Service management, and analyzed standard domestic letter prices from selected countries. See [Appendix A](#) for more details on this project's objectives, scope, and methodology.

Criteria for Comparison

Using domestic rates reported by the Universal Postal Union (UPU), the analysis in this report compares different countries' prices for a single-piece 20-gram priority small letter-post item sent domestically, herein referred to as a standard domestic letter. We compared prices for letter products in the first weight step of the fastest category. Focusing on those products facilitates cross-country comparisons but means our conclusions may not apply to letter prices for all weight steps or products.² We selected the sample of 31 countries with specific characteristics for this comparison. We then compared the nominal, or the listed retail prices charged by the postal operators in these countries, prices relative to inflation, and prices adjusted for purchasing power parity.³ To provide further context into this comparison, we position each ranking within the relevant qualifying factors of market size and volume decline, regulatory differences, inflation, and affordability relative to purchasing power differences.

We selected our sample of countries based on geographical area and postal operating revenue per capita, excluding countries where any gaps in data occurred. In total, our analysis included 31 out of the 195 countries in the original dataset of UPU domestic rates (see [Appendix B](#)). The resulting sample includes posts with characteristics relatively comparable to the U.S., such as large domestic networks and high letter volume per capita.

² In many countries, the first weight step consists of letters weighing up to 20 grams, which is the closest to USPS's first weight step of one ounce or about 28 grams. Many countries have both a priority product — the faster regular or standard product — and a slower economy letter product. For our analysis, the priority product in the U.S. is a standard size, single-piece First-Class Mail letter, a Market Dominant product. This is not to be confused with a USPS Priority Mail Retail Letter, a competitive product.

³ The nominal price does not account for economic factors such as inflation — the rate of rising costs of goods and services — or purchasing power parity. As discussed in the "[Affordability and Purchasing Power Comparison](#)" section, purchasing power parity is a metric that allows us to compare the relative affordability of a stamp across our sampled countries, accounting for each country's cost of living, productivity, and economic growth.

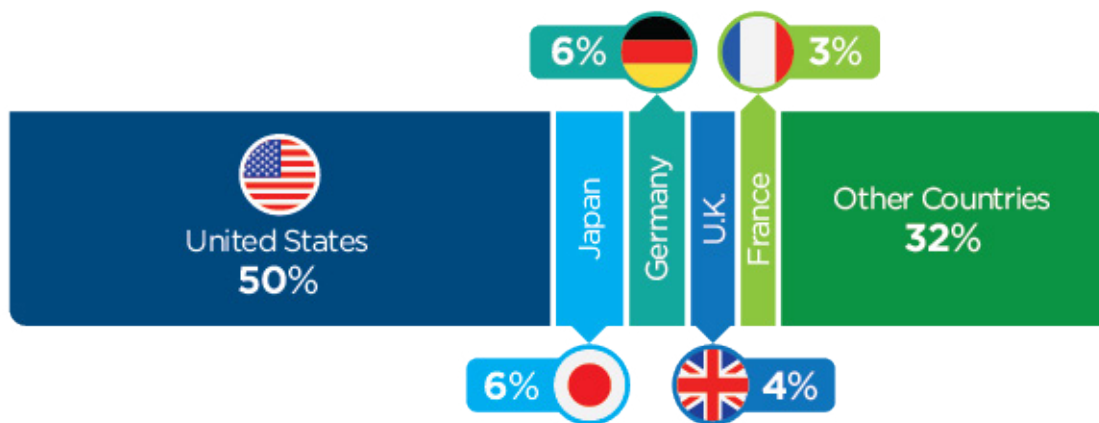
Market Size and Nominal Prices

The United States has the largest domestic mail market in the world, and the U.S. Postal Service delivers far more mail than any other postal operator. In 2021, USPS handled 50 percent of global domestic mail volume – referred to as domestic letter-post items by the UPU in its global estimates (see Figure 1).⁴ By comparison, the next largest domestic markets – Japan and Germany – each represented just 6 percent of domestic mail volume. The remaining of the top five countries – the United Kingdom and France – collectively handled 7 percent of the world’s domestic volume. The U.S. also has among the highest volume per capita, ranking second highest in the sample in 2021. At 386 pieces per person, the U.S. only trailed behind Austria, which is 2.6 percent of the size of the U.S. population.⁵

Figure 1: Percentage of Domestic Volume Globally, 2021

THE POSTAL SERVICE HANDLED HALF OF THE WORLD’S DOMESTIC MAIL VOLUME IN 2021

In 2021, USPS handled 50 percent of the total domestic mail volume delivered globally. By comparison, the next largest domestic markets – Japan and Germany – represented just 6 percent each. The remaining of the top five countries – the United Kingdom and France – collectively handled 7 percent of the world’s domestic mail.



Note: The percentages in the chart total to 101 percent due to rounding. Domestic mail volume includes more than just domestic letter volume as typically defined by USPS.

Source: OIG analysis of UPU global estimates.

Domestic Volume has Declined More Slowly in the U.S. Compared to Other Countries

From 2000 to 2021, U.S. domestic mail volume declined from 200 billion to 129 billion. Despite this decline, domestic volume in the United States has constituted a greater percentage of domestic volume globally, rising from 46.4 percent in 2000 to 50.2 percent in 2021 (see Figure 2).⁶ This indicates the mail market is much more robust in the United States, declining more slowly than in the rest of the world.

⁴ Notably, the UPU’s data includes more than just domestic letter volume as typically defined by USPS. Nearly all U.S. domestic volume (94 percent) consisted of Market Dominant products, such as First-Class Mail, Marketing Mail, and Periodicals Mail. However, packages made up a small percentage (6 percent) of total U.S. volume in 2021. Standard domestic letters are a subset of domestic volume.

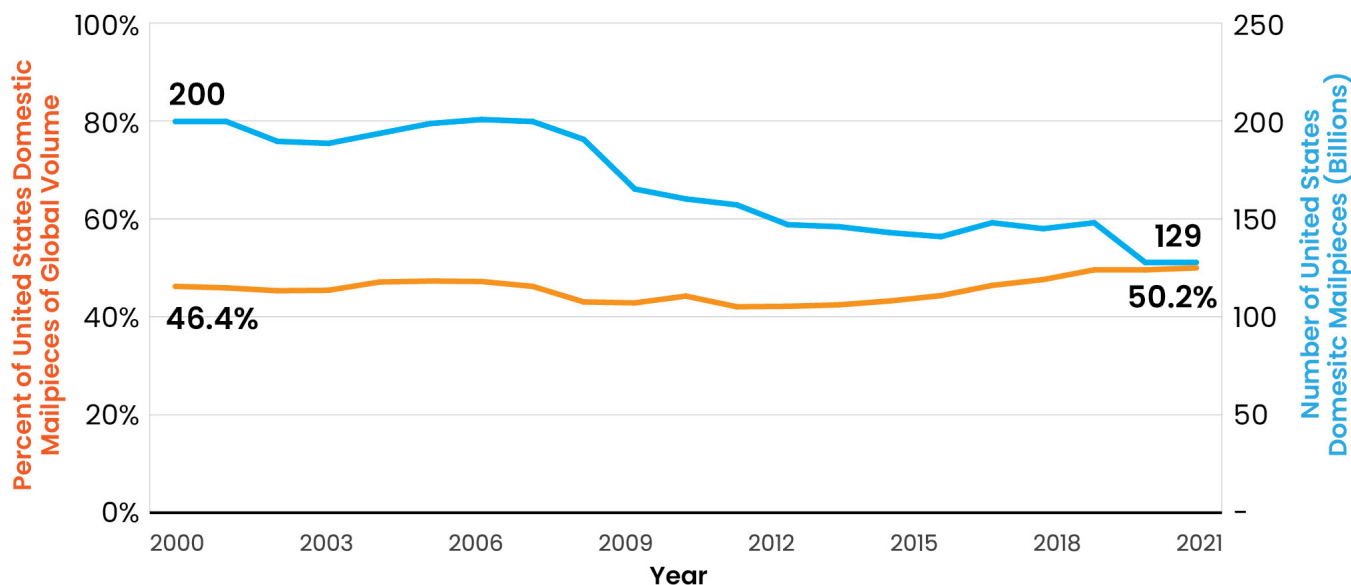
⁵ At 507 mailpieces per capita, Austria leads the world with 31 percent more pieces per capita than the United States.

⁶ Of the total domestic mail volume for the countries in our sample, the percentage of U.S. domestic mail also increased from 58.3 percent in 2000 to 63.3 percent in 2021.

Figure 2: U.S. Domestic Mail Volume and Share of Global Volume, 2000-2021

THE U.S. HAS STEADILY HANDLED A GREATER PERCENTAGE OF THE WORLD’S DOMESTIC MAIL VOLUME SINCE 2000

Domestic mail volumes are declining faster in other countries, collectively, than in the United States. Despite declining from 200 billion domestic mailpieces in 2000 to 128.9 billion in 2021, the U.S. share of global volume has increased from 46.4 percent to 50.2 percent.



Note: Domestic mail volume includes more than just domestic letter volume as typically defined by USPS.
 Source: OIG analysis of UPU global estimates.

In part due to economies of scale and scope — in which a proportion of the cost of sortation and delivery is offset by the scale of volume and the scope of mail products offered — the Postal Service can pursue its public mission and an objective of financial sustainability with a highly profitable product priced much lower than many of the countries in the sample.⁷ The United States has a sizeable market for commercial First-Class Mail and Marketing Mail, which is larger than that of any other country.⁸ Additionally, the Postal Service is entirely

dependent upon revenue obtained by postage. While many other postal operators have diversified their business models to offer complementary banking, financial, and logistics services, current laws limit the non-postal services the U.S. Postal Service can offer.⁹ Whereas mail delivery is increasingly a smaller component of the services offered by posts in other countries, it generates the most revenue in the United States. However, dramatically declining volumes in the U.S. present challenges to financial sustainability.

7 First-Class Mail is highly profitable, representing the Postal Service’s highest revenue generating class. For FY 2022, the cost coverage for total domestic First-Class Mail was 210.17 percent, meaning its generated revenue was more than twice its attributable cost for the Postal Service.
 8 For more on the Postal Service’s mix of different mail classes and products, see U.S. Postal Service Office of the Inspector General, *Changes in Mail Mix: Implications for Carriers’ Physical Health*, Report Number RISC-WP-22-009, September 26, 2022, <https://www.uspsig.gov/sites/default/files/reports/2023-01/RISC-WP-22-009.pdf>, pp.3-5.
 9 The Postal Accountability and Enhancement Act of 2006 prohibits the U.S. Postal Service from offering any additional non-postal services after the time the law was enacted. The Postal Service Reform Act of 2022 allowed for expanded opportunities to offer non-postal services, but only for state and local governments. See U.S. Postal Service Office of the Inspector General, *Primer on Postal Reform*, Report No. RISC-WP-23-002, December 20, 2022, <https://www.uspsig.gov/sites/default/files/reports/2023-01/RISC-WP-23-002.pdf>, pp.7-8.

U.S. Nominal Stamp Prices are Well Below Average

A comparison of nominal retail stamp prices positions the Postal Service well below the average price of the sample countries in June 2023.¹⁰ The Postal Service's \$0.63 nominal price put it at 27th out of 31, or at nearly half of the average price of \$1.20 (see Figure 3).¹¹

Figure 3: Comparison of the Nominal Price for a Standard Domestic Letter in USD, June 2023

THE ONE-OUNCE FIRST-CLASS MAIL STAMP PRICE IN 2023 WAS AMONG THE LOWEST INTERNATIONALLY

The Postal Service's \$0.63 nominal price put it at 27th out of 31, or at nearly half of the average price of \$1.20. As of June 2023, four countries charged less for a standard domestic letter than the United States. The price of a stamp in nine countries was double to triple the price in the U.S. The highest prices for a standard domestic letter were in Italy, Finland, Estonia, and Iceland.



Source: OIG analysis of UPU data.

¹⁰ In our analysis of nominal rates, we used UPU data indicating the domestic price each country charged on June 1 of a given year converted into the Special Drawing Rights (SDR) rate. SDR is a unit of account created by the International Monetary Fund that is based on a basket of five currencies — the U.S. dollar (USD), the euro, the Chinese renminbi, the Japanese yen, and the British pound sterling — and is independent from any specific country's currency. Using SDR enabled us to compare rates across countries using the same units. We then multiplied the SDR rate by the average exchange rate between USD over a recent five-month period. In the five-month period for 2018-2021, domestic rates started on January 1 and ended on May 31 of the reporting year. In the five-month period for 2022 and 2023, domestic rates started on November 1 in the year preceding the reporting year and ended on March 31 of the reporting year.

¹¹ The price of a one-ounce First-Class Mail stamp increased to 63 cents on January 22, 2023 and increased again to 66 cents on July 9, 2023. Because we compare the price of postage as of June 1 in each year, the price in the U.S. was \$0.63 and not \$0.66 in 2023 for the purpose of our analysis.

As of June 2023, four countries charged less for a standard domestic letter than the United States. The price of postage was approximately one-third less in Serbia (-36 percent) and Russia (-37 percent), a quarter less in Brazil (-26 percent), and one-tenth less in Japan (-11 percent). In contrast, the price of a stamp in nine countries was double to triple the price in the U.S. The highest prices for a standard domestic letter were in Italy, Finland, Estonia, and Iceland, where postage was more than triple the price in the U.S (223 percent to 369 percent).

On average, the price of a standard domestic letter in the other 30 countries in the sample was nearly double (93 percent higher) than the Postal Service’s price. To provide further context into how this average and the ranking of countries have changed over time, the next section compares increases in nominal pricing.

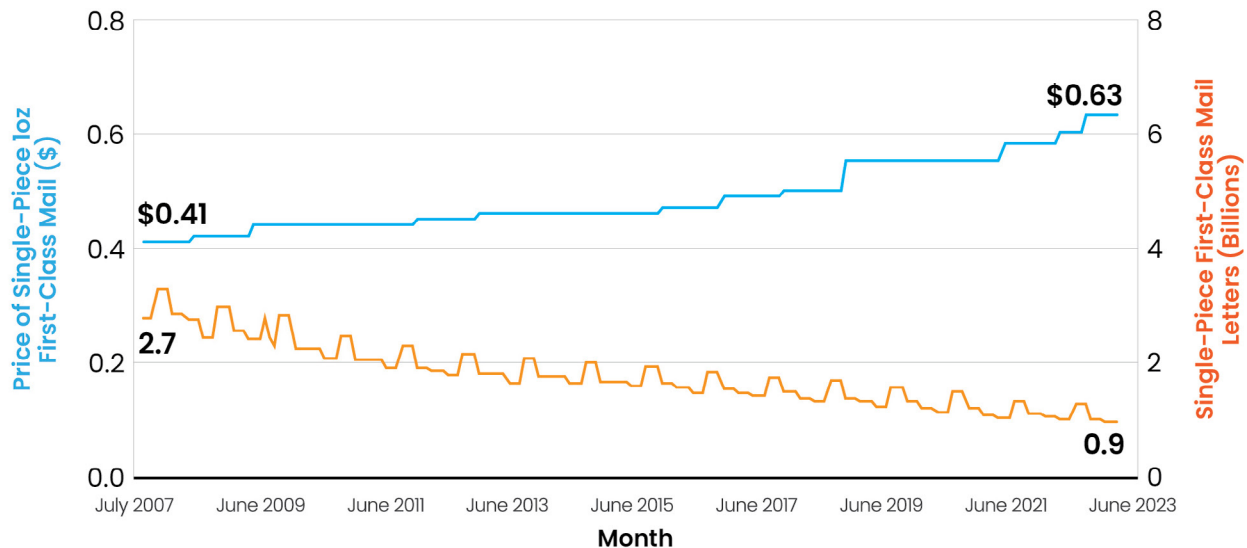
The U.S. Stamp Price Increased More Than in the Past but Less Than in Other Countries

From the 1970s to the 2000s, the Postal Service only increased rates three to four times per decade. Since July 2007, the price of a stamp has increased 54 percent, from \$0.41 to \$0.63 in June 2023 (see Figure 4).¹² During this period, the increase in the postage rate largely aligned with the increase in inflation and decline in letter volume. In the light of these inflation and volume trends as well as gaining additional pricing authorities in 2020, the Postal Service has increased prices three times from January 2021 to June 2023, and five times between January 2021 and January 2024.¹³ We discuss the role of inflation and the regulatory changes, including USPS’s recent price increase, in a later section (see [Regulatory Differences and Inflation](#)).

Figure 4: One-ounce FCM Stamp Price and Single-Piece FCM Volume by Month, July 2007 - June 2023

THE PRICE OF A STAMP IN THE UNITED STATES INCREASED 54 PERCENT BETWEEN 2007 AND 2023

Largely aligned with inflation, the nominal price of a one-ounce First-Class Mail stamp has increased 54 percent from \$0.41 in July 2007 to \$0.63 in June 2023. Over the same period, single-piece FCM volume declined by 68 percent, from 2.7 billion to 0.9 billion pieces.



Note: The analysis of volume data draws from USPS’s Revenue, Pieces, and Weights (RPW) report. The RPW used the category “Single-Piece Letters, Flats, & Parcels” until Quarter 4 of FY 2007, when it began to break out Single-Piece Letters into a separate category. As a result, we examined volumes beginning in July 2007. The average monthly volume for each quarter was applied to all months of that quarter.

Source: OIG analysis of USPS data.

¹² While the First-Class Mail 1oz price remained unchanged in 2019-2021, the price of other First-Class Mail products increased.

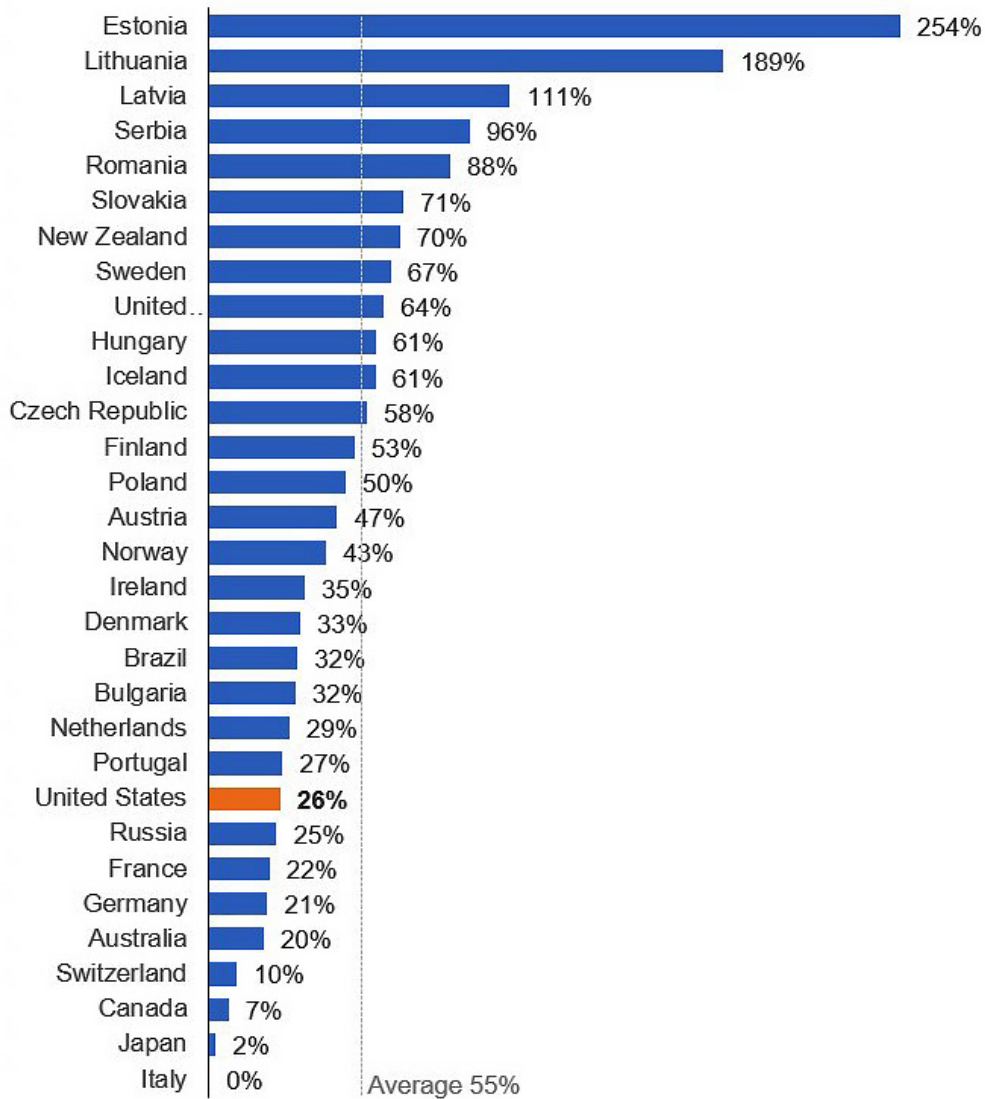
¹³ The Postal Service raised prices again in July 2023 (\$0.66) and in January 2024 (\$0.68).

Despite the 54 percent price increase since July 2007, the Postal Service is among the posts that raised its prices the smallest amount between June 2018 and June 2023. During this period, the price of a stamp in the U.S. changed from \$0.50 to \$0.63, a 26 percent increase. If we consider the most recent rate changes in July 2023 and January 2024, the price is \$0.68, representing an increase of 36 percent since June 2018. For our scope period, the Postal Service’s increase in nominal price ranked 23rd out of 31 and was less than half of the average increase of 55 percent (see Figure 5).

Figure 5: Comparison of Percentage Increase in Nominal Price for a Standard Domestic Letter, June 2018 - June 2023

THE POSTAGE RATE INCREASED LESS IN THE U.S. THAN MOST OTHER COUNTRIES BETWEEN 2018 AND 2023

Prices increased an average of 55 percent for the countries in the sample between June 2018 and June 2023. At 26 percent, the Postal Service ranked 23rd out of 31, or less than half of the average price increase.



Source: OIG analysis of UPU data.

The Baltic states of Estonia (254 percent), Lithuania (189 percent), and Latvia (111 percent) represented the largest rise, demonstrating how price increases are tied to greater economic trends that will be discussed in later sections.¹⁴ Without these entries, the average price increase would be 41 percent, which still places the Postal Service below the average.

Despite fluctuations year by year, Italy has had the least amount of price change over the last five years, but consistently ranked as the most highly priced domestic letters of the countries in the sample.¹⁵ With marginal increases, the price of standard domestic letters in Japan (2 percent) and Canada (7 percent) have remained relatively constant. Instead of raising standard domestic letter prices, both posts have drastically increased the prices of their international services.¹⁶ Increases for La Poste in France were relatively close to the U.S. (22 percent compared to 26 percent), yet La Poste is making substantial changes to its standards for domestic letters.¹⁷ In addition to changes in the type of mail offerings, amendments to the regulatory framework in which posts operate can have a substantial effect on the nominal price for standard domestic letters.

Regulatory Differences and Inflation

Postal regulation and regulatory oversight of postal operators around the world have a major effect on postal prices. Postal operators are commonly subject to a Universal Service Obligation (USO), or a collection of requirements meant to ensure customers receive a basic level of service at a reasonable price. One of the goals of regulatory frameworks — including USOs

and price caps — is to prevent posts from abusing their market power to raise their prices excessively, rendering mail unaffordable and undermining the post's public service mission.¹⁸ However, as mail volumes decline, maintaining a standard level of service while keeping prices affordable poses a challenge for postal operators.¹⁹ Across our sample of countries, differing regulatory frameworks — some of which have undergone recent amendments — have had implications for the price of a stamp.

USO Requirements Have Been Relaxed in Many Countries

As national regulators have relaxed USO requirements in many countries outside the U.S., posts have amended their mail service standards. For example, some posts have reduced their service standards by delivering mail on fewer days each week. Loosening requirements pertaining to mail delivery may provide additional flexibility to cover delivery costs, especially in countries where mail volume and revenue have declined earlier and at a faster pace than in the United States. In Denmark, the government abolished Post Denmark's USO in January 2024. However, the absence of USO requirements, including affordability considerations, may result in higher price increases.²⁰

Price Caps May Vary Between Countries

National regulators set differing mail affordability criteria in each country, and those criteria inform posts' cap on prices. The Postal Service and other operators in many other countries — such as the Netherlands, Germany, Portugal, France, and Sweden — have regulatory price caps in place on

14 This drastic increase in nominal price relates to wider economic challenges. As former members of the Soviet Union, the Baltic states are historically situated as the European Union's most vulnerable members in terms of energy security, and their economies have been impacted by sanctions against neighboring Russia and Belarus following the Russian invasion of Ukraine in 2022. Leon Hartwell, Agnė Rakštytė, Julia Ryng, and Ēriks Kristiāns Selga, *Winter is Coming: the Baltics and the Russia-Ukraine War*, London School of Economics Ideas, December 2022, <https://www.lse.ac.uk/ideas/Assets/Documents/reports/2022-12-05-BalticRussia-FINALweb.pdf>.

15 Our analysis does not cover any price increases before June 2018. However, several posts in our sample have substantially increased nominal prices outside of our scope period. Notable examples include Royal Mail (30 percent in 2012), Canada Post (37 percent in 2014), Poste Italiane (300 percent in 2015), and Australia Post (43 percent in 2016).

16 Canada Post increased the prices of domestic and international parcels on September 11, 2023. Similarly, Japan Post has maintained marginal increases to standard letter mail prices but has substantially increased rates for international mail and parcels, with shipments to different areas of the United States representing a 125-175 percent increase in June 2022. After the UPU implemented a new "self-declared" rates system for international, or cross border, small packets and bulky letters, dozens of countries have significantly increased their international rates. U.S. Postal Service Office of the Inspector General, *The International Package Market - Trends and Opportunities for the Postal Service*, Report No. RISC-WP-23-006, May 15, 2023, https://www.uspsog.gov/sites/default/files/reports/2023-05/risc-wp-23-006_0.pdf.

17 Since January 1, 2023, La Poste's delivery time for standard domestic letters shifted from two to three days with the addition of a new hybrid priority service with digital stamps, the *E-Lettre rouge*.

18 For more on regulatory price setting, see U.S. Postal Service Office of the Inspector General, *Examining Alternative Inflation Indices for Regulating Market Dominant Price Increases*, Report No. RISC-WP-24-001, November 6, 2023, <https://www.uspsog.gov/sites/default/files/reports/2023-11/risc-wp-24-001.pdf>; For more on postal regulation in the United States and other developed postal markets, see U.S. Postal Service Office of the Inspector General, *Variations and Trends in Postal Regulatory Oversight*, Report No. RISC-WP-24-003, <https://www.uspsog.gov/sites/default/files/reports/2024-03/risc-wp-24-003.pdf>.

19 While some posts operate as public entities, such as government departments or state-owned enterprises, others have been privatized. Additionally, many offer non-postal services like banking, financial, and logistics services that generate a substantial percentage of their revenue. Business models, however, do not correlate directly to regulatory frameworks or the price of a stamp.

20 Prior to this change, letter volumes had already declined faster in Denmark than anywhere else in the European Union due to a push towards digitization which required most households to transition from mail to paperless services.

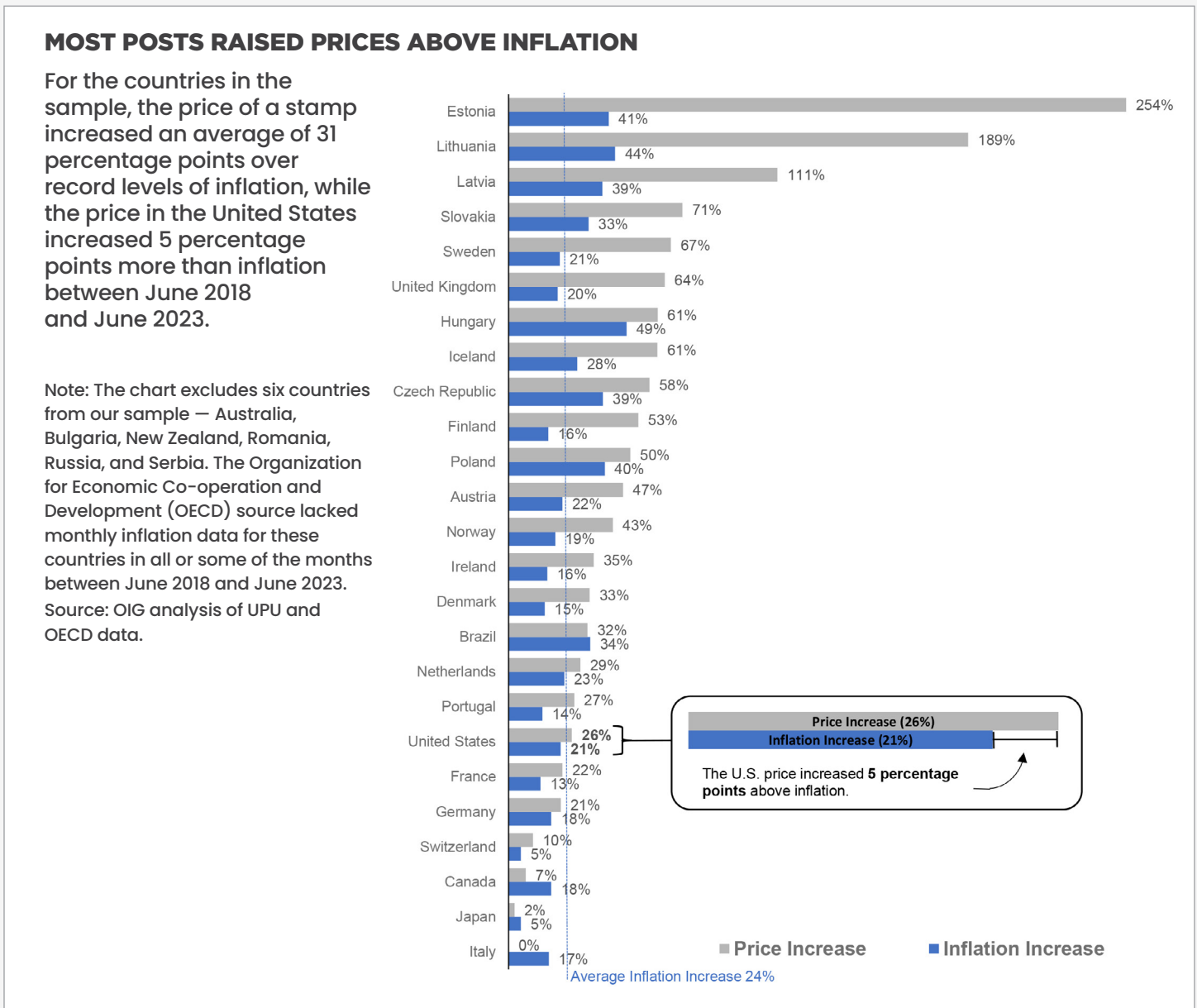
their standard letter products.²¹ Under a price cap, price increases are subject to approval by the postal regulator and are constrained by legally defined maximum limits. This maximum typically follows inflation, in addition to other factors. As a result, a major factor affecting the price of a stamp is the rate of inflation within a country.

Most Posts Increased Prices Above Record Levels of Inflation

Since 2021, supply chain disruptions and government policies related to the COVID-19 pandemic as well

as the Russian invasion of Ukraine contributed to record levels of inflation for many of the countries in the sample. The United States experienced its highest inflation rates since the 1980s, substantially increasing the Postal Service’s costs for labor, retirement and workers’ compensation, and goods and services. According to the Postal Service, recent price increases are, in part, intended to offset “inflationary pressures on operating expenses.” Most other posts responded to record levels of inflation by increasing prices at a greater rate (Figure 6).

Figure 6: Standard Domestic Letter Price Increase Relative to Inflation, June 2018 - June 2023



²¹ For more on international price caps, see U.S. Postal Service Office of the Inspector General, *Examining Alternative Inflation Indices for Regulating Market Dominant Price Increases*, Report No. RISC-WP-24-001, November 5, 2023, <https://www.uspsig.gov/sites/default/files/reports/2023-11/risc-wp-24-001.pdf>, pp. 17-18.

Between June 2018 and June 2023, the posts in our sample increased prices an average of 31 percentage points above inflation. With the highest percentages, Estonia (213 percentage points) and Lithuania (145 percentage points) also had the greatest increase in nominal prices over the same period, indicating that record levels of inflation were coupled with strategic decisions to raise prices substantially beyond the rising costs of goods and services in the Baltic States. In the United Kingdom (44 percentage points), decisions to raise prices beyond inflation rates were positioned as an essential response to the sustainability of its universal service. In 2022, Royal Mail requested the government amend the delivery of standard domestic letters from five to four days a week.

Italy (17 percentage points) did not increase its price from June 2018 to June 2023, but remained the highest priced post throughout the period of review irrespective of the rising costs of goods and services. However, Poland (10 percentage points), which ranked near the median positioning of nominal price increases, ranked much lower when analyzing for inflation, as a high inflation rate overshadowed a 50 percent price increase over the same period. By comparison, the Postal Service's standard domestic letter was priced 5 percentage points above the rate of inflation.²² The new pricing authorities of 2020, however, have allowed the Postal Service to increase the magnitude of increases.

The Postal Service's Price Increases Have Been Higher and More Frequent With New Pricing Authorities

In 2006, the U.S. Congress passed the Postal Accountability and Enhancement Act (PAEA), which altered the Postal Service's pricing authority in several fundamental ways, including the following:

- It reorganized the former Postal Rate Commission into a new Postal Regulatory Commission (PRC), changing its oversight of the Postal Service's prices.
- The law required a new rate-setting system that capped Market Dominant price increases to the rate of inflation.²³
- Lastly, PAEA required the PRC to review the new price cap system 10 years after the enactment of the legislation to determine if the system achieved its objectives.²⁴

The PRC completed its 10-year review in December 2017 and concluded that the new "system as a whole has not achieved the objectives of the PAEA."²⁵ To address this shortcoming, the PRC adopted rules in November 2020 modifying the price cap system.²⁶ Maintaining the Postal Service's existing authority which is tied to inflation (CPI-U), the modified system provided additional pricing authorities related to mail density, retirement obligation payments, and non-compensatory classes.²⁷

22 Countries with inflation increases similar to the U.S. tended to increase their stamp price by a greater percentage. Sweden, for example, also saw its inflation rate increase by 21 percent, but raised its price by 67 percent. The U.K. had a slightly lower inflation increase of 20 percent and raised its price by 64 percent. By comparison, countries with lower inflation increases, such as Portugal (14 percent) and France (13 percent), tended to increase prices in line with the U.S.

23 Replacing the previous cost-of-service model, a new price cap system took effect in November 2007 and limited price increases for Market Dominant products, such as FCM, to the rate of inflation measured by U.S. Bureau of Labor Statistics in its Consumer Price Index for All Urban Consumers (CPI-U).

24 According to the PRC, "the objectives reflect the goals of the PAEA to create a flexible, stable, predictable, and streamlined ratemaking system that ensures the Postal Service's financial health and maintains high-quality service standards and performance." PRC, *PRC Adopts Final Rules to Modify the Rate System for Classes of Market Dominant Products*, November 30, 2020, <https://www.prc.gov/press-releases/prc-adopts-final-rules-modify-rate-system-classes-market-dominant-products/5013>.

25 See PRC, Order No. 4257, *Order on the Findings and Determination of the 39 U.S.C. § 3622 Review*, December 1, 2017, <https://www.prc.gov/docs/102/102709/Order%20No.%204257.pdf>, p.275.

26 PRC, *PRC Adopts Final Rules to Modify the Rate System for Classes of Market Dominant Products*, November 30, 2020, <https://www.prc.gov/press-releases/prc-adopts-final-rules-modify-rate-system-classes-market-dominant-products/5013>.

27 The PRC created additional rate authorities to address drivers of the Postal Service's net financial losses that were beyond its control. The density-based rate authority is based on the ratio of mail volume to delivery points. USPS gains more of this rate authority as the number of mailpieces declines and the number of delivery points increases, helping the agency cover the additional per-piece cost of delivering less mail to more addresses. The retirement-based rate authority is calculated from the proportional increase in revenue per mailpiece needed to permit the Postal Service to make targeted amortization payments to cover its retirement costs, including retiree health benefits and pension benefits. In addition, the PRC extended USPS an optional rate authority intended to help move the price of non-compensatory classes — mail classes for which the costs of all products exceed the revenues of all products — toward fully covering their costs. USPS also gained a related pricing authority to address the issue of non-compensatory products in classes that are compensatory overall.

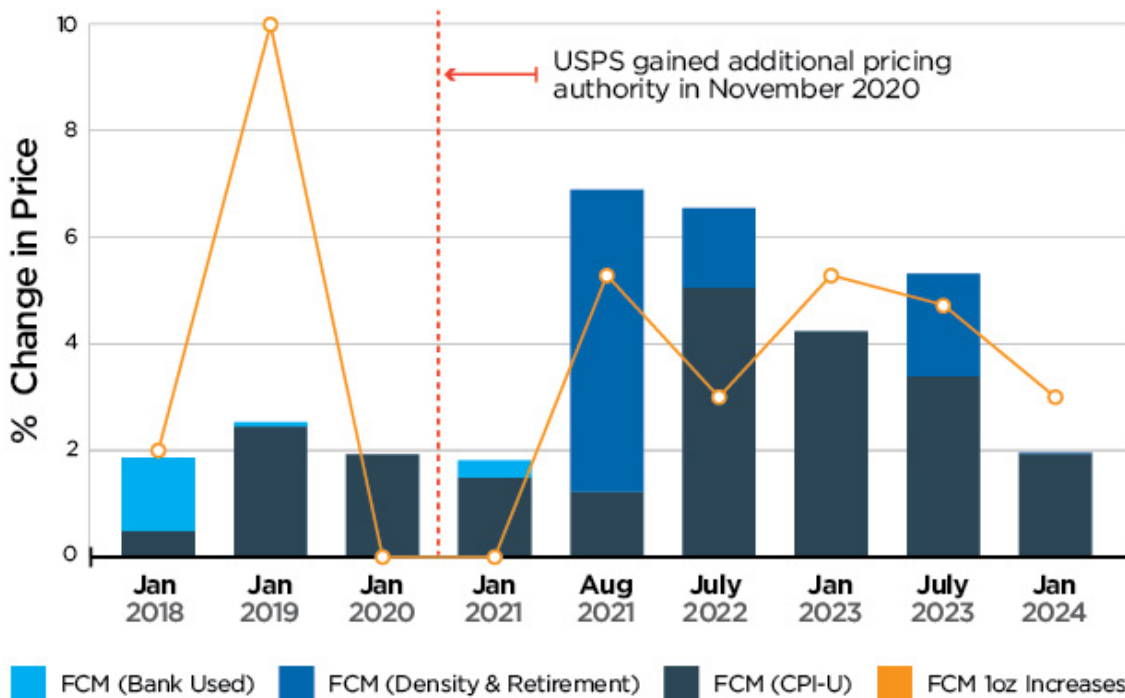
No longer limited to increases based solely on the rate of inflation, the Postal Service first used the new density and retirement-based pricing authorities in August 2021. As a result, the price of a standard domestic letter increased by 6.8 percent, which is 5.6 percentage points more than the 1.2 percent increase in inflation per the CPI-U (see Figure 7). With these new authorities, the price has generally increased twice per year since 2021. From the Postal Service's perspective, it has been its "fiscal responsibility"

to use these new authorities whenever possible, as neglecting to do so would result in hundreds of millions of dollars in lost potential income. Many mailers are concerned about the effect of higher and more frequent price increases on the industry and mail volumes. Industry stakeholders have indicated the effect of these increases require greater examination as they risk undermining the Postal Service's efforts toward financial sustainability.

Figure 7: Percent Increase in Price of First-Class Mail Overall and One-Ounce Stamp, January 2018 - January 2024

NEW PRICING AUTHORITY ENABLED USPS TO RAISE THE FIRST-CLASS MAIL RATE MORE THAN IN THE PAST

After receiving new pricing authority in November 2020, USPS soon began to increase prices more than it could have otherwise under the previous rate system. In August 2021, USPS first exercised its new density and retirement pricing authority to raise the overall FCM rate by 5.6 percentage points. Combined with the 1.2 percent increase due to inflation (CPI-U), FCM prices rose by 6.8 percent in total.



Note: In October 2018, USPS stated it was "deliberately setting the Stamped Letters ... prices at round numbers divisible by five, to better achieve" a "simplicity of structure" and this "require[d] that the Postal Service apply a substantial amount of [2019]'s pricing authority to Stamped Letters." As a result, the price of a one-ounce stamp rose by a much higher percentage (10 percent) than FCM (2.5 percent) in January 2019. The Postal Service often has leftover or "banked" pricing authority when it changes its prices. Since 2018, it used this banked authority most notably in January 2018 and January 2021.

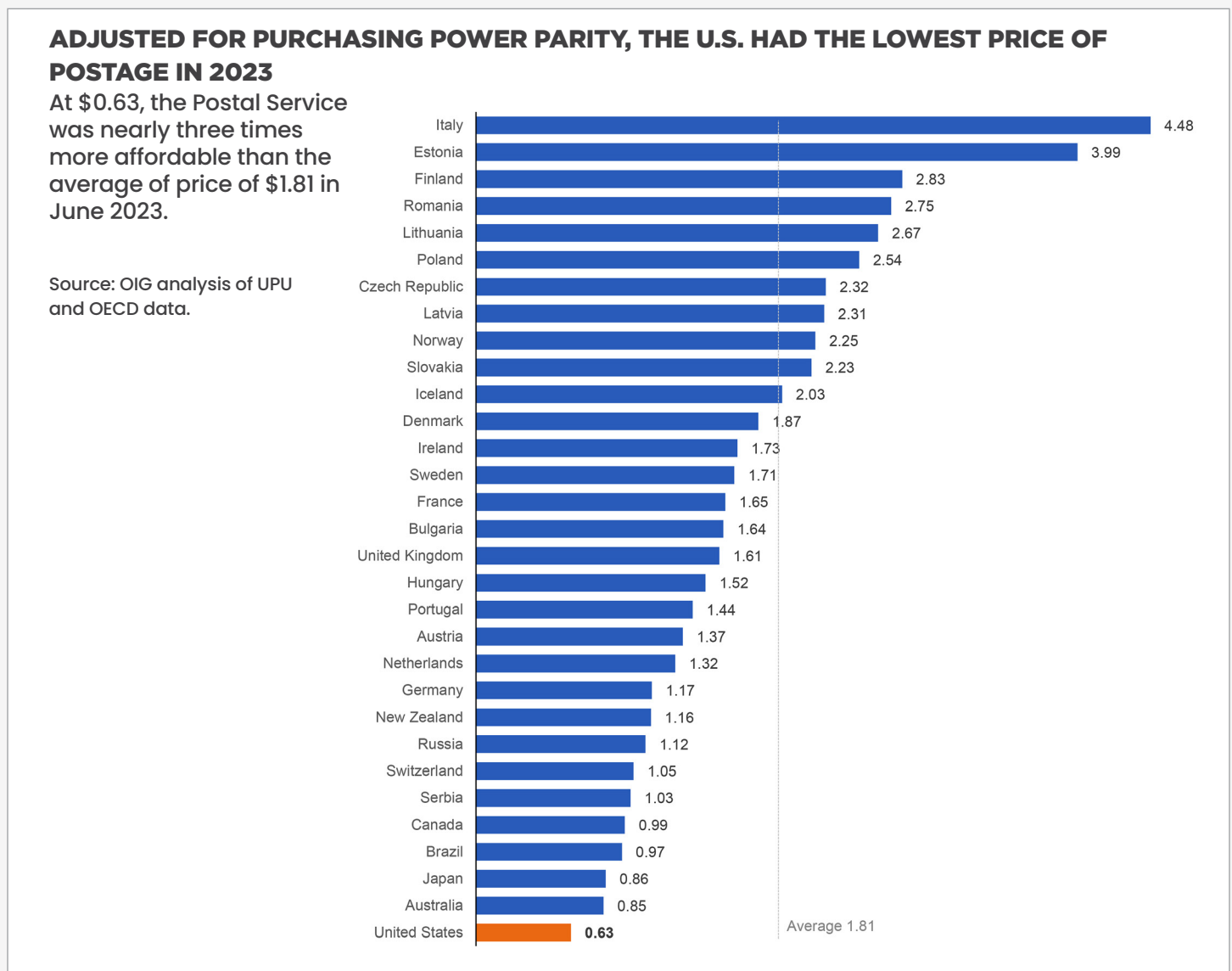
Source: OIG analysis of PRC data.

Affordability and Purchasing Power Comparison

To compare the price of a stamp beyond just changes in inflation, we considered each country's cost of living, productivity, and economic growth. To account for these factors, we analyzed prices according to purchasing power parity, a metric that allows us to compare what a stamp costs customers across the varying economies of our sample.²⁸ This metric indicates the affordability of postal prices in the countries under review.

When considering purchasing power differences, the Postal Service has the most affordable domestic letter prices in the countries in the sample, ranking 31st out of 31 countries in 2023 (see Figure 8). At \$0.63 in June 2023, the Postal Service was nearly one third (35 percent) of the average price of \$1.81. The next most affordable countries, Australia (\$0.85) and Japan (\$0.86), were nearly 25 percent less affordable than the Postal Service. Despite both countries having fewer price increases since 2018 and Japan having a lower nominal price, the United States was still the most affordable place to send a standard domestic letter.

Figure 8: Purchasing Power Parity Price for a Standard Domestic Letter in U.S Dollars, June 2023



²⁸ For our analysis of purchasing power differences, we divided the nominal price of a standard domestic letter in the specified year by the purchasing power parity factor (national currency to USD) that the Organization for Economic Co-operation and Development reported for the country in that year. In 2018, for example, Österreichische Post in Austria charged €0.68 for a standard domestic letter. We divided €0.68 by the purchasing power parity in that year (0.77) to conclude that the price of postage in Austria was \$0.89 in 2018 dollars adjusted for purchasing power parity.

In terms of the least affordable standard domestic letter, Italy ranked 1st out of 31 at \$4.48, which is 147 percent more than the average price of \$1.81, despite having no price change since 2018. By contrast, the next least affordable country, Estonia at \$3.99, had the highest price change since 2018, demonstrating that inflation and recent price changes have affected the affordability of its standard domestic letters. Additionally, both Italy and Estonia have pivoted their overall mail pricing strategies to privilege slower but much more affordable non-priority products.²⁹ These offerings are increasingly becoming their main mail products, perhaps indicating a shift in customer expectations to mail products that are delivered much more slowly than FCM equivalents, which is the focus of our study.

Finland, the third least affordable country at \$2.83, has focused on covering operational costs by raising prices and, similar to both Italy and Estonia, changing its delivery standard. In terms of nominal prices, Finland was also the second most expensive.

Conclusion

In our comparison of standard domestic letters — the first weight step of the fastest letter product category — we found the Postal Service had lower nominal prices than the other countries in our sample. We also compared price increases between June 2018 and June 2023 and prices adjusted to inflation. We found the Postal Service raised rates less than most operators in our sample, and the Postal Service's rate increases exceeded inflation by a smaller amount than most other operators. When considering purchasing power differences, the Postal Service ranked as the most affordable operator for standard domestic letters. More research would be needed to compare all letter product offerings across our sample of countries to determine if more affordable, slower products may be increasing in prominence, overtaking the first weight step of the fastest category, which is the closest equivalency to First-Class Mail.

There are also key distinctions between the Postal Service and international posts that provide context into price disparities. The United States is by far the largest market for commercial First-Class Mail and Marketing Mail. In many other countries, volume declines started much earlier, Universal Service Obligations have narrowed, and mail is becoming less prominent than other postal and non-postal offerings. As volumes continue to decline and operational costs increase, the tension between the goal of financial sustainability and universal service will continue to underly many posts' decisions when raising their prices.

²⁹ For example, in addition to its more expensive Postal priority product (nominal price of €2.90), Poste Italiane in Italy offers the Posta4 economy product, which is half the price (€1.25). Similarly, in 2020, Omniva in Estonia switched from a standard letter product to offer two products: a much more expensive priority product and a more affordable economy product with a longer delivery timeframe.

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Appendix A: Additional Information

Objectives, Scope, and Methodology

Objectives

The research paper had the following objectives:

1. To review how other postal operators price standard domestic letters offered to their retail customers and how these prices compare to those charged by the Postal Service.
2. To provide insights into the key factors influencing price differences between the market for U.S. standard domestic letters and the domestic markets of international posts.

Scope

The research paper looked at postal operators in a sample of 31 countries from June 2018 to June 2023.³⁰

Methodology

The OIG used the following methods to research the objectives:

- **Reviewed documentation on postal operators’ pricing.** We reviewed the annual reports of the selected postal operators and other studies comparing retail prices between postal operators.

- **Reviewed documentation and data related to domestic mail markets.** We reviewed documentation on the regulatory frameworks and other aspects of the market for standard domestic letters in the U.S. and other countries. We also examined data related to market size and mail volume.
- **Interviewed Postal Service management.** To better understand the Postal Service’s pricing strategy, we interviewed representatives from the agency’s Pricing component.
- **Analyzed retail mail product prices from selected countries.** We compared the price of a 20-gram priority small letter-post item from the sampled countries between June 2018 to June 2023.³¹ In our analysis, we converted postal operators’ national currency into USD. We also compared prices relative to inflation and adjusted prices for purchasing power parity, accounting for differences in the cost of living across countries.

The inspection 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 February 29, 2024 and included their comments where appropriate.

Prior Coverage

Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Competitive Products Pricing Best Practices</i>	To identify opportunities for increased efficiencies in pricing processes and initiatives for competitive products using industry best practices.	CP-AR-19-003	September 11, 2019	\$0

³⁰ The 31 countries are as follows: Australia, Austria, Brazil, Bulgaria, Canada, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Lithuania, the Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Sweden, Switzerland, the United Kingdom, and the United States.

³¹ We examined the prices for letter products in the first weight step of the fastest category. While there are a variety of prices for mail based on factors including product type, size, weight, service, negotiated services agreements, or available discounts, we analyzed retail prices because comparable data are publicly available across international posts. Comparisons of the Postal Service’s other Market Dominant or competitive products or services with international posts may not align with this analysis of retail prices for standard domestic letters.

Appendix B: Countries in Selected Sample

Of the 195 countries in the UPU dataset, 131 of them exceeded the threshold of 4,000,000 hectares (15,444 square miles).³² In addition, 57 of the 195 countries exceeded the threshold of \$10 USD in postal operating revenue per capita.³³ After applying the two thresholds, 42 countries remained in our tentative sample. Of the remaining 42 countries, we excluded ten that lacked data necessary to adjust rates for purchasing power parity and an eleventh country because of inconsistencies in the rate data.³⁴ Overall, 164 countries out of the 195 countries in the original dataset of UPU domestic rates were excluded, yielding a sample of 31 countries (See Table 1).

Table 1: Characteristics of Countries in Judgmentally Selected Sample

Country	Area (Hectares)	Posts' Operating Revenue per Capita (USD)	Posts' Operating Revenue (USD)	Population
Australia	774,122,000	236.7	6,248,820,789	26,400,000
Austria	8,388,000	339.0	3,050,600,000	9,000,000
Brazil	851,577,000	19.1	4,142,109,160	216,400,000
Bulgaria	11,100,000	21.2	142,366,859	6,700,000
Canada	1,563,441,000	151.8	5,891,516,760	38,800,000
Czech Republic	7,887,000	86.1	904,355,774	10,500,000
Denmark	4,292,000	156.1	920,898,438	5,900,000
Estonia	4,534,000	133.8	173,937,167	1,300,000
Finland	33,847,000	338.3	1,860,833,333	5,500,000
France	54,909,000	540.3	35,011,552,869	64,800,000
Germany ³⁵	35,759,000	1182.3	98,487,666,667	83,300,000
Hungary	9,303,000	77.1	785,979,220	10,200,000
Iceland	10,300,000	158.8	63,518,881	400,000
Ireland	7,028,000	203.7	1,039,033,333	5,100,000
Italy	30,207,000	222.2	13,090,000,000	58,900,000
Japan	37,797,000	148.5	18,313,114,807	123,300,000
Latvia	6,459,000	68.3	122,850,000	1,800,000
Lithuania	6,529,000	48.0	129,728,582	2,700,000
Netherlands	4,154,000	231.4	4,072,833,333	17,600,000

³² The data on geographic area were obtained from the Food and Agriculture Organization of the United Nations. Thresholds were established to include a large sample size that would have relevant correlative aspects to the United States.

³³ We obtained the data on operating revenue for postal operators as of 2021 from the Universal Postal Union's postal statistics database. To minimize the effect of missing data on selection, we manually added the most recently reported UPU operating revenue data for several postal operators (e.g., if 2021 data were not available, we used 2020 data). We obtained the data on countries' population totals from the United Nations Population Fund's World Population Dashboard.

³⁴ We excluded Croatia because the country changed its currency from the Croatian Kuna (HRK) to the Euro in 2023. Also, the PPP-adjusted values under the Kuna in 2018 to 2022 were much higher than those for all other countries. In 2022, for example, the 6.5 HRK price divided by 0.43 PPP factor resulted in \$15 USD PPP-adjusted price while the average PPP-adjusted price across our sample in 2022 is \$1.58 USD.

³⁵ As part of the DHL Group, Deutsche Post's international business positions it as an outlier in terms of operating revenue and operating revenue per capita.

Country	Area (Hectares)	Posts' Operating Revenue per Capita (USD)	Posts' Operating Revenue (USD)	Population
New Zealand	26,771,000	111.6	580,370,558	5,200,000
Norway	62,450,000	526.8	2,897,668,301	5,500,000
Poland	31,271,000	42.0	1,722,035,034	41,000,000
Portugal	9,223,000	97.0	989,181,667	10,200,000
Romania	23,840,000	17.2	342,162,344	19,900,000
Russia	1,709,825,000	19.0	2,743,377,526	144,400,000
Serbia	8,499,000	39.5	280,133,170	7,100,000
Slovakia	4,903,000	69.0	400,146,833	5,800,000
Sweden	52,886,000	281.3	2,981,324,059	10,600,000
Switzerland	4,129,000	862.6	7,591,150,000	8,800,000
United Kingdom	24,361,000	259.1	17,540,115,385	67,700,000
United States	983,151,000	227.4	77,310,374,126	340,000,000

Source: OIG analysis of data from the Food and Agriculture Organization of the United Nations, Universal Postal Union, and United Nations Population Fund.

Appendix C: Management's Comments



March 19, 2024

MARK TASKY
DEPUTY ASSISTANT DIRECTOR GENERAL
RESEARCH AND INSIGHTS SOLUTION CENTER

SUBJECT: Management Response: The Price of a Stamp: An International
Comparison – White Paper (2023RISC007)

Thank you for the opportunity to review and comment on the Office of Inspector
General's (OIG's) white paper: *The Price of a Stamp: An International Comparison*.

Management agrees with the conclusion that stamp prices are lower in the U.S. than
in most other countries, even with recent price increases. When adjusted for
purchasing power differences, the Postal Service's prices for standard domestic
letters are the most affordable in the world.

E-SIGNED by FIONA E MACHADO
on 2024-03-19 11:17:26 EDT

Fiona Machado, Acting Director, Mailing and Services Pricing
Signing on Behalf of:
Sharon Owens
Vice President, Pricing and Costing

E-SIGNED by LUKE T GROSSMANN
on 2024-03-19 11:18:26 EDT

Luke Grossmann
Senior Vice President, Finance and Strategy

cc: *Corporate Audit Response Management*

OFFICE OF INSPECTOR GENERAL

UNITED STATES



Kevin Mersol-Barg, Aaron Anfinson, Jacqueline Isero, Jennifer Hall, and John Althen contributed to this report.

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