




U.S. Postal Service Increases Postage Rates

September 2, 2021

On August 29, 2021, the U.S. Postal Service (USPS) raised prices on many of its postal products and services, including its First-Class “Forever” stamps. The increase in rates [was approved by the Postal Regulatory Commission \(PRC\)](#) on July 19, 2021, following a [request submitted by the USPS](#) in May 2021. This is the second rate change implemented by the USPS in 2021. The USPS increased rates on many of its postal products and services [on January 24, 2021](#), though the price for First-Class “Forever” stamps had remained the same at 55 cents.

Table 1 provides a select list of postal rates that took effect on August 29, 2021. The [full list of adjusted prices](#) is available on the USPS’s “[Postal Explorer](#)” website as an [Excel spreadsheet](#) and as a [PDF file](#).
Select USPS Postage Prices as of August 29, 2021



Table 1. Select USPS Postage Prices as of August 29, 2021

		Previous Price	Price As of August 29, 2021	Change
Stamped Mail				
	First-Class Forever Stamp	\$0.55	\$0.58	+\$0.03
	First-Class Postcard Stamp	\$0.36	\$0.40	+\$0.04
	First-Class 2- Ounce Letter Stamp	\$0.75	\$0.78	+\$0.03

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		Previous Price	Price As of August 29, 2021	Change
	International Forever Stamp	\$1.20	\$1.30	+\$0.10
	Semipostal Stamp	\$0.65	\$0.75	+\$0.10
Metered Mail				
	First-Class 1-Ounce Letter	\$0.51	\$0.53	+\$0.02
	First-Class 2-Ounce Letter	\$0.71	\$0.73	+\$0.02
	Large Envelope (flats) 1-Ounce	\$1.00	\$1.16	+\$0.16

Source: USPS Price List (Notice 123) and USPS August 2021 Price Change, available at <https://pe.usps.com>.

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How Does the USPS Establish Its Postal Rates?

Following the [statutorily required 10-year review of its system](#) for regulating rates and classes for market-dominant products, the [PRC ordered the adoption of a revised regulatory system](#). The revised rules were published in the *Federal Register* in December 2020 and went into effect on January 14, 2021.

Under the [Postal Accountability and Enhancement Act \(PAEA\)](#), price increases for market dominant products were limited to a formula based on annual, unadjusted changes in the Consumer Price Index for Urban Customers (CPI-U).

Market Dominant and Competitive Products	
Market dominant products are those in which the USPS is considered to have a monopoly over the service, such as first-class and marketing mail. Competitive products, such as shipping and packages services, are those in which the USPS competes with the other companies in the private market (e.g., FedEx, UPS).	
<p>Market Dominant Products Include:</p> <ul style="list-style-type: none"> First-Class Mail® Marketing Mail (Formerly Standard Mail) Periodicals Post Office Box Services 	<p>Competitive Products Include:</p> <ul style="list-style-type: none"> Priority Mail® Priority Mail Express® Parcel Select® International Priority Airmail®

Under the [revised rules](#), the USPS maintains its existing CPI-based rate authority. Additionally, the new system provides the USPS with [two additional forms of rate authority](#). The first adjusts the price cap and provides the USPS with additional rate authority according to a formula based on market dominant mail volume declines. The second provides the USPS with additional rate authority according to a formula based on USPS’s annual retiree health and retirement plan costs.

When the USPS wants to change its rates, it must first receive authorization from the [Postal Governors](#). For [most competitive products](#) (excluding [customized rates negotiated between the USPS and private mailers](#)), postal management must provide the Postal Governors with the proposed rates, analysis, and other documentation. Before the rates may go into effect, any proposed changes to competitive products must be filed with the PRC. For example, see [United States Postal Service Notice of Changes in Rates of General Applicability for Competitive International Products \(October 9, 2020\)](#). For changes to market dominant products, the USPS must receive authorization from the Postal Governors and provide them with the proposed rates, analysis, and documentation. Additionally, the USPS must file [public notice](#) of its planned rate changes and a [request to review](#) its proposed changes with the PRC [no later than 90 days](#) before the new rates are scheduled to go into effect.

Does USPS Expect the Rate Change to Impact Mail Volume and Revenue?

Neither the USPS [Notice of Market-Dominant Price Change](#) nor the [USPS fact sheet](#) on the price change address this issue directly. In response to the question “Will raising mail prices further decrease mail volume?” the [USPS fact sheet](#) states that mail volume has been on the decline for the past decade and that they expect total mail volume to drop another 36% by FY2030. In its [order approving the rate change](#), the PRC noted that several commenters to the USPS’s proposal stated that the increased prices will reduce mail volumes because large mailers will reduce reliance on the mail in order to stay on budget. The PRC acknowledged these concerns and, quoting their [earlier order](#), stated that [rates are set not by the PRC but by the Postal Governors](#), who are “in the best position to determine how to best utilize the pricing authority and make decisions about specific price increases.”

On the issue of potential revenue decline, the USPS [Notice of Market-Dominant Price Change](#) cites the best ways to generate revenue for selected classes and types of mail. Additionally, the USPS faced a similar situation between January 26, 2014, and April 10, 2016, when it had in place an [exigent surcharge](#) (i.e., a price increase) of 4.3% on many of its market dominant products and services. Under the PAEA, an exigent surcharge is a temporary price increase permitted under “[extraordinary or exceptional](#)” circumstances. The USPS requested and was granted an exigent surcharge beginning January 2014 to address mail volume declines and revenue losses it incurred [as a result of the Great Recession \(2008-2009\)](#). Though temporary, the price increase had a positive impact on revenues. In FY2014 and FY2015, the [estimated revenue](#) from the exigent surcharge was \$1.4 billion and \$2.1 billion, respectively.

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