



## MEDIA KIT

# Statutory Review of System for Regulating Rates and Classes for Market Dominant Products

Docket No. RM2017-3

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The Commission is an independent agency that has exercised regulatory oversight over the Postal Service since its creation by the Postal Reorganization Act of 1970, with expanded responsibilities under the Postal Accountability and Enhancement Act of 2006. The Commission is composed of five Commissioners, each of whom is appointed by the President, by and with the advice and consent of the Senate, for a term of six years. A Commissioner may continue to serve after the expiration of his or her term until a successor is confirmed, except that a Commissioner may not continue to serve for more than 1 year after the date on which his or her term would have otherwise expired. Not more than 3 of the Commissioners may be adherents of the same political party.

<b>Current Commissioners</b>	<b>Term Expiration</b>
Chairman Robert G. Taub (R)	Oct. 14, 2022
Vice Chairman Michael M. Kubayanda (D)	Nov. 22, 2020
Commissioner Mark Acton (R)	Oct. 14, 2022
Commissioner Ann C. Fisher (R)	Oct. 14, 2024
Commissioner Ashley E. Poling (D)	Nov. 22, 2024

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- Accountability and Compliance
- General Counsel
- Public Affairs and Government Relations
- Secretary and Administration

The Commission maintains an independent office for its Inspector General.

The **Office of Accountability & Compliance** is responsible for technical analysis and formulation of policy recommendations for the Commission in both domestic and international matters. It provides the analytic support for Commission review of rate changes, negotiated service agreements, classifications of new products, post office closings, amendments to international postal treaties and conventions, as well as other issues.

The **Office of General Counsel** provides legal assistance on matters involving the Commission's responsibilities, defends Commission decisions before the courts, and manages the formal complaint process.

The **Office of Public Affairs & Government Relations** facilitates prompt and responsive communications for the Commission with the public, Congress and federal agencies, the Postal Service, and information media.

The **Office of Secretary & Administration** records the official actions of the Commission; preserves Commission documents; maintains personnel records; and provides other support services including managing the Commission's library, docket room, and computers.

The **Office of Inspector General** conducts, supervises, and coordinates audits and investigations relating to the programs and operations of the Commission, and identifies and reports fraud and abuse in Commission programs and operations.



## FREQUENTLY ASKED QUESTIONS

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**Q. Does this proposed rulemaking require Postal Service or Congressional approval?**

**A.** No. Under 39 U.S.C. § 3622(d)(3), the Commission has independent authority to modify the existing system for regulating rates and classifications for Market Dominant products or adopt an alternative system as necessary to achieve the objectives of 39 U.S.C. § 3622(b) as long as certain conditions are met. These conditions are a determination by the Commission that the current system for regulating Market Dominant rates and classifications is not achieving the objectives of 39 U.S.C. § 3622(b), taking into account the factors of 39 U.S.C. § 3622(c) after the Commission has provided an opportunity for notice and public comment. The Commission fulfilled these conditions previously in Docket No. RM2017-3.

**Q. Will the public have a chance to provide comments on this proposed rulemaking? If so, how do I do this?**

**A.** Yes. Commission rules require that comments be filed online according to the process outlined at 39 C.F.R. § 3001.9(a). Additional information regarding how to submit comments online can be found at: <http://www.prc.gov/how-to-participate>.

**Q. When are comments on this proposed rulemaking due?**

**A.** The comment deadline is set for 60 days following the proposed rulemaking's posting on the Commission's website in Docket No. RM2017-3. Reply comments are due 30 days following the deadline for initial comments.

**Q. Will comments be made available to the public?**

**A.** Yes. All comments accepted through the Commission's online filing system will be made available on the Commission's website under Docket No. RM2017-3.

**Q. Has the Commission appointed someone to serve in the interest of the public in this case?**

**A.** Pursuant to 39 U.S.C. § 505, the Commission has appointed Richard A. Oliver to continue to represent the interests of the public in Docket No. RM2017-3.

**Q. How has this proposed rulemaking changed from the first one in regards to the Postal Service's rate authority?**

**A.** Balancing the objectives of 39 U.S.C. § 3622(b), the Commission's original proposal

provided supplemental rate authority and performance-based rate authority to the Postal Service. The original proposal also provided additional mandatory rate authority for mail classes that do not cover their costs (non-compensatory classes) in order to improve the cost coverage for products within those classes. In this proposed rulemaking, the Commission continues to focus on these three categories of additional rate authority. However, the Commission modifies the mechanisms for the supplemental rate authority in order to address two major drivers of the Postal Service's financial instability—density declines and the considerable retirement amortization payments—both of which are largely outside of the Postal Service's control. For the performance-based rate authority, instead of creating two smaller, independent incentives for operational efficiency and maintenance of service standards, the Commission modifies its proposal to combine these two incentives into 1 percentage point of additional rate authority granted when both efficiency and service benchmarks are achieved. In addition, the Commission modifies how the efficiency benchmark will be measured. Finally, for additional rate authority related to non-compensatory classes, the Commission makes the Postal Service's use of this additional rate authority optional.

**Q. How has the Commission addressed workshare discounts?**

**A.** The Commission dispenses of its originally proposed passthrough bands accompanied by a 3-year grace period. In this proposed rulemaking, the revised rules prohibit workshare discounts that are equal to avoided costs from being changed; excessive workshare discounts from being increased; and below avoided costs discounts from being reduced. In addition, both excessive and below avoided cost discounts will be permitted if the discounts are new; would represent a 20 percent improvement from the prior discount; or if the discount was previously approved via a new waiver process. The waiver process is intended to require the Postal Service to submit the necessary data so that the Commission may analyze why some discounts are unable to be set closer to avoided costs.

**Q. What are the proposed rules designed to accomplish?**

**A.** In accordance with 39 U.S.C. § 3622(d)(3), the proposed rules are designed to put in place a system for regulating rates and classes for Market Dominant products that achieves the objectives of 39 U.S.C. § 3622(b). In its prior determination that the current system for regulating rates and classes for Market Dominant products is not achieving the objectives of 39 U.S.C. § 3622(b) and taking into account the factors of 39 U.S.C. § 3622(c), the Commission identified several deficiencies of the current system. Similar to its original proposal, the Commission's proposed rules seek to remedy the deficiencies of the current ratemaking system as described in its prior determination.

**Q. Currently, the Postal Service's Board of Governors must approve rates and services proposed by the Postal Service. How is the proposed ratemaking system going to affect the Board of Governors' role?**

**A.** The proposed regulations do not alter the role of the Postal Service's Board of Governors. The Postal Service's Board of Governors will retain the role of approving rates and services under the proposed ratemaking system.

**Q. Will the Postal Service be allowed to make annual rate adjustments under the proposed rules?**

A. Yes. Under the proposed rules, the Postal Service may continue to request annual rate adjustments if it chooses to do so. Under the proposed rules, the Postal Service will be required to provide an updated schedule for regular and predictable rate adjustments at least once per year. The updated schedule will include the estimated filing and implementation dates (month and year), as well as an explanation that will allow mailers to predict with reasonable accuracy, by class, the amounts of planned rate adjustments.

**Q. How will the price of a First-Class stamp be determined under the proposed rules?**

A. The Postal Service's Board of Governors will continue to set the price of a First-Class stamp and all other products and services offered by the Postal Service. The Postal Service's Board of Governors will continue to have pricing flexibility to set prices within specific regulatory parameters. Exact future prices are not known at this time.

**Q. How will the new ratemaking system affect the general public and small businesses?**

A. Individual customers and small business users of postal products and services may experience price increases above what the previous CPI-U rate authority provided due to the proposed categories of additional rate authority. However, as previously mentioned, the Postal Service's Board of Governors will continue to set prices for all products and services offered by the Postal Service. As a result, exact future prices are not known at this time. Under the proposed rules, workshare discounts should also be set closer to avoided costs and additional information, including that related to the Postal Service's efforts to reduce costs, will be provided by the Postal Service.

**Q. Will the proposed rules affect the Postal Service's ability to enter into Negotiated Service Agreements with small businesses?**

A. No. The proposed rules do not affect the Postal Service's ability to enter into Negotiated Service Agreements.

**Q. How does the new ratemaking system address the Postal Service's service standards?**

A. The proposed rules provide for performance-based rate authority that the Postal Service will receive on an annual basis only if an operational efficiency requirement and a service standard requirement are met. This performance-based rate authority incentivizes the Postal Service to maintain high-quality service standards.

**Q. How and when will the Commission determine if this new ratemaking system is working?**

A. The Commission will review the effectiveness of the new ratemaking system 5 years after its implementation, providing sufficient time for the effects of the changes to be fully known. In the interim, the Commission will continue to monitor the system through its annual compliance and periodic reporting processes.

**Q. Is the Postal Service required to publicly report on whether the new ratemaking system is helping its financial position?**

**A.** Under the new ratemaking system, the Postal Service will continue to annually report on its finances. This includes information on Postal Service product and service cost coverage, cost reduction initiatives, and volume and revenue data, as well as other things.

**Q. When will the Commission issue a final rulemaking?**

**A.** The Commission will evaluate all comments received in response to this proposed rulemaking. Once the Commission evaluates the comments received, it will determine if further rule revisions are necessary or if it is possible to issue a final rule at that time.

**Q. When will this new system go into effect?**

**A.** The new system of ratemaking will take effect 30 days after the Commission's final rulemaking is published in the Federal Register.