Postal Regulatory Commission

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Press Release

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PRC RECOMMENDS THE PRESIDENT AND CONGRESS ADDRESS THE FINANCIAL CONDITION OF THE POSTAL SERVICE

Washington, DC – The Postal Regulatory Commission (Commission) today made its recommendations to the President and Congress to address the volatile financial condition of the U.S. Postal Service. The Commission is required every five years under Section 701 of the Postal Accountability and Enhancement Act of 2006 (PAEA) to issue a report that evaluates how well the PAEA is operating and makes recommendations for legislation or other measures necessary to improve the effectiveness and efficiency of the Nation's postal laws.

The Commission's 2016 Report emphasizes the starkly different environment faced by the Postal Service since the enactment of the PAEA – a time when volume was growing and the Postal Service was earning revenues that exceeded costs. Today, mail volume has declined more than 25 percent since 2006 coupled with a total net loss of $5.1 billion in fiscal year 2015, despite an exigent surcharge that generated an additional $2.1 billion in revenue.

Twice this year, the Commission was invited to provide testimony at congressional hearings focused on the steadily deteriorating financial condition of the U.S. Postal Service. Specifically, the Commission was asked to share with the Senate and House oversight committees key findings of its annual *Financial Analysis of U.S. Postal Service Financial Results.* Testimony delivered by Acting Chairman Robert Taub described the fundamental problems facing the Postal Service: a growing liability for retiree health benefits; an inability to borrow for needed capital investments, such as new delivery vehicles and package sortation equipment; and the continued loss of high margin First-Class Mail revenues.

Acting Chairman Taub said, “It is clear, the most important legislative recommendations the Commission can make relate directly to improving the financial condition of the U.S. Postal Service. It is our hope that these recommendations will be the foundation for that effort.”

The Commission emphasizes the following recommendations that address the financial condition:

- The Commission renews its recommendations from its 2011 Report that Congress modify the Retiree Health Benefits Fund prefunding level and payment schedule as a measure to improve Postal Service sustainability. Decreasing the funding target to one more in line with industry norms would provide much needed improvement in the Postal Service’s assets to liabilities ratio.

- The Commission recommends lengthening the amortization period of the current unfunded liability. The current amortization period is 40 years. Extending the amortization period would free significant capital by reducing Postal Service annual payments.

- Further improvement in liquidity could be provided by allowing the Postal Service to use any available Federal Employees Retirement System (FERS) surplus, rather than requiring the surplus to be transferred to the RHBF. The Commission, therefore, recommends that Congress grant the Postal Service the authority to use available FERS surpluses to pay off current or future liabilities, including debt to the U.S. Treasury, pension liabilities, and retiree health benefit liabilities.

In addition to these suggested financial changes to the law, all of the Commission’s recommendations are located in Appendix A of the Section 701 Report titled “Section 701 Report Recommendations.”

The Postal Regulatory Commission is an independent federal agency that provides regulatory oversight over the U.S. Postal Service to ensure the transparency and accountability of the Postal Service and foster a vital and efficient universal mail system. The Commission is comprised of five Presidentially-appointed and Senate-confirmed Commissioners, each serving terms of six years. The Chairman is designated by the President. In addition to Acting Chairman Robert G. Taub, the other commissioners are Vice Chairman Nanci Langley and Commissioners Mark Acton and Tony Hammond. Follow the PRC on Twitter: @PostalRegulator