



# Postal Regulatory Commission

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## Press Release

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### ***PRC Annual Compliance Determination Reveals Progress and Problems with Rate and Fee Compliance and Service Performance***

**Washington, DC** – The Postal Regulatory Commission (Commission) today issued its [\*Annual Compliance Determination\*](#) (ACD), an assessment of the U.S. Postal Service rate and fee compliance and service performance in Fiscal Year (FY) 2016. The Commission has identified several compliance issues and directs the Postal Service to address them in FY 2017. Consistent with last year’s ACD findings, Flats cost and service issues and overall service performance continued to be challenges for the Postal Service. A number of workshare discounts also failed to meet compliance standards. Appendix A of the ACD provides a complete listing of the Commission’s principal findings and directives. A status report of Commission directives from FY 2015 is also noted in Appendix A.

#### **Service Performance:**

Despite a Commission directive to the Postal Service last year to improve service performance and provide a comprehensive plan of remediation, the Postal Service struggled to reach service performance targets in FY 2016. In particular, no First-Class Mail product met its service performance target for the second consecutive year. As a result, the Commission finds First-Class Mail Single-Piece Letters/Postcards service performance remained out of compliance in FY 2016 and directs the Postal Service to provide additional transparency by reporting specific information on First-Class Mail Single-Piece Letters/Postcards metrics within 90 days of issuance of this report and also as part of its FY 2017 ACR.

#### **Cost and Service Problems Persist with Flat-Shaped Mail:**

The Commission continued to identify significant issues related to flat-shaped mail (Flats). In FY 2016, the combined attributable costs of Outside-County Periodicals and Standard Mail Flats exceeded revenues. While not reaching its targets, service performance did show some improvement. However, the Postal Service has not met its service performance target for any Flats product since the inception of its current service performance measurement system. Since 2008, the Commission has discussed these issues in each ACD and provided the Postal Service opportunities to address the challenges in profitably processing and delivering Flats. In the FY 2015 ACD, the Commission directed the Postal Service to provide a comprehensive plan to measure, track, and report flats cost and service issues. Because problems continue to persist

and it does not appear that the Postal Service has a plan to address these issues, the Commission finds additional transparency is necessary in these areas to hold the Postal Service accountable. Thus, the Commission will initiate a strategic rulemaking to develop reporting requirements related to Flats operational cost and service issues.

### **Workshare Discounts:**

The Commission identified 48 workshare discounts with compliance issues. Out of the 48, 21 did not comply with the law. No action by the Commission was required for 5 of the 21 workshare discounts because price changes aligned the discounts with avoided costs or the Postal Service eliminated the discount. Sixteen workshare discounts remained out of compliance prompting the Commission to direct the Postal Service to either align the discounts with avoided costs in the next Market Dominant price adjustment or specify an applicable statutory exception.

### **Post Office Suspensions:**

The number of facilities under suspension increased by 80 locations from the end of FY 2014 to the end of FY 2015. The Commission requires the Postal Service to reduce the number of facilities under suspension in FY 2017 or provide a detailed explanation in its *FY 2017 Annual Compliance Report* discussing why it was unable to do so.

As directed by statute, the ACD was prepared after a 90-day evaluation of the Postal Service's *Annual Compliance Report* and supplemental material, and evaluation of public comments.

The full report, including an executive summary, is available on the Commission's website, [www.prc.gov](http://www.prc.gov), along with related documents under Docket No. ACR2016.

*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 Chairman Robert G. Taub, the other commissioners are Vice Chairman Mark Acton, and Commissioners Tony Hammond and Nanci Langley. Follow the PRC on Twitter: [@PostalRegulator](https://twitter.com/PostalRegulator)*