

Postal Regulatory Commission

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Press Release

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PRC Issues Annual Compliance Determination Evaluates Postal Service's Levels of Service and Identifies Operating Losses

Washington, DC – The Postal Regulatory Commission today issued its Annual Compliance Determination (ACD) assessing the financial and service performance of the Postal Service in fiscal year (FY) 2009.

The Commission reported that 14 separate Postal Service products or services failed to cover their direct costs. Shortfalls in these products cost the Postal Service \$1.7 billion dollars in FY 2009. Despite surpluses in other products such as First-Class Mail, the Postal Service lost \$3.8 billion overall.

The report also identifies 30 instances of workshare discounts offered to large mailers where the discounts exceeded the savings to the Postal Service from the work performed by the mailers. Only in 17 of those instances could the Postal Service show that special circumstances justified the discount.

In issuing the report Chairman Ruth Y. Goldway said: "The ACD is the primary tool established by the Postal Accountability and Enhancement Act to ensure that the Postal Service is accountable for and transparent in its operations and service to the public. Unlike the Postal Service's recently announced ten-year plan, the ACD reports on where the Postal Service is now and provides direction on what can be done in the short term to improve revenues, service levels and equity among rate payers."

The ACD also reported on the Postal Service's performance for delivery of each distinct class of mail, on consumer access to postal services, and customer satisfaction. The Postal Service had generally high performance levels for delivery of First-Class letters, but it performed well below target delivery levels for periodicals and packages. The Commission closely monitors the Postal Service's performance and is pressing for the further development of measurement systems to assure speed of delivery and customer satisfaction.

The ACD also provides a detailed analysis of the Postal Service's deteriorating financial situation. It is questionable whether the Service has maintained the capacity to provide fundamental postal services to the Nation as required by law in the future. Mail volume declines caused by the severe economic recession, combined with longer-term trends that replaced mail with digital communications led to reduced revenues in FY 2009. But losses were also caused by the requirement – in place since 2007 – that the Postal Service annually prepay over \$5 billion for retiree healthcare benefits. The Postal Service ended FY 2009 with a \$3.8 billion loss despite receiving \$4 billion in temporary legislative relief from its requirement to prepay those benefits.

In the interests of clarity and accountability, Chairman Goldway filed a separate, concurring opinion choosing to use the term "not in compliance" to describe Postal Service results that did not meet provisions of the law. But she affirmed that all of the regulatory directives to the Postal Service detailed in the report were adopted unanimously by the Commission.

"The Commission will play an essential role in the upcoming public debate on the future of the Postal Service and the future of universal service to the Nation. Our agency will provide the platform for all interests and all issues to be considered fairly. We will put to use our expertise in evaluating postal costs, analyzing economic trends and bringing together all parties in the mailing community. The ACD is a fundamental tool in that process."

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 Goldway, the other Commissioners are Vice Chairman Tony Hammond, Dan Blair, Nanci Langley, and Mark Acton.