



Postal Regulatory Commission

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Press Release

April 12, 2019

PRC Assess USPS Pricing and Service in 2018 *Annual Compliance Determination*

Directs Postal Service to Address a Number of Outstanding Compliance Issues

Washington, DC – Today the Postal Regulatory Commission (Commission) issued its [*Annual Compliance Determination*](#) (ACD) assessing the pricing and service performance standards of the U.S. Postal Service (Postal Service) in fiscal year 2018. This ACD marks the 11th Compliance Determination issued since the enactment of the Postal Accountability and Enhancement Act of 2006.

The following is a summary of the Commission’s findings, recommendations, and directives.

Workshare Discounts:

The Commission identifies compliance issues related to 23 workshare discounts and finds that three of the discounts were out of compliance. For two of the three workshare discounts, the prices approved in Docket No. R2019-1 align the discounts with avoided costs; therefore, the Commission requires no further action. For the one workshare discount remaining out of compliance, the Commission directs the Postal Service to either align the workshare discount with its avoided cost in the next Market Dominant price adjustment or provide support for an applicable statutory exception. In addition, for the Periodicals class, the Commission finds that the Postal Service meaningfully addressed the FY 2017 ACD directives to report on the cost and contribution impact of worksharing and progress in improving pricing efficiency. The Commission directs the Postal Service to continue reporting on Periodicals pricing issues in its FY 2019 *Annual Compliance Report* (ACR).

Noncompensatory Market Dominant Products:

The report identifies eight Market Dominant products as noncompensatory in FY 2018. Regarding Periodicals In-County and Periodicals Outside County, the Commission finds that additional transparency is necessary to hold the Postal Service accountable. The Commission will continue to explore cost and service issues related to flats in Docket No. RM2018-1. For USPS Marketing Mail Flats, the Commission finds that an advanced remedy is needed to address the Postal Service’s continuing failure to comply with the Commission’s FY 2010 ACD directive to increase the cost coverage, as USPS Marketing Mail Flats cost coverage is at an all-time low and remains in violation of the law. In the next generally applicable Market Dominant price

adjustment, the Postal Service must propose a price increase for USPS Marketing Mail Flats that is at least 2 percentage points above the class average for the USPS Marketing Mail class. Additionally, the Postal Service must continue responding to the requirements of the FY 2010 ACD directive by reducing USPS Marketing Mail Flats' costs and continue to comply with the FY 2015 directive. For USPS Marketing Mail Parcels, the Commission finds that revenue was not sufficient to cover attributable cost in FY 2018 and strongly recommends an advanced remedy in light of the repeated failure of USPS Marketing Mail Parcels to covers its costs. With regard to Stamp Fulfillment Services, the Commission finds that revenue was not sufficient to cover attributable cost in FY 2018. The Commission further finds that revenue for Inbound Letter Post was not sufficient to cover attributable cost. The Commission recommends that the Postal Service, in coordination with the Department of State, negotiate bilateral and multilateral agreements that contain rates for UPU letter post mail that are more compensatory than terminal dues. The Commission also recommends that the Postal Service file rates for the Competitive Inbound Small Packets and Bulky Letters product as soon as possible. For Media Mail/Library Mail, the Commission finds that the Postal Service's approach to improve cost coverage through above-average price increases is appropriate and encourages the Postal Service to explore opportunities to further reduce the unit cost of Media Mail/Library Mail. Finally, in Contract Year 4, the Commission finds that the PHI NSA did not meet the criteria of 39 U.S.C. § 3622(c)(10)(A). The Postal Service terminated the agreement during Contract Year 4; therefore, the Commission finds that no further action is necessary.

Competitive Products Rates and Fees:

The Commission identifies six Competitive products that did not cover attributable costs and were found to be out of compliance with 39 U.S.C. § 3633(a)(2): two domestic NSAs, International Priority Airmail (IPA), International Money Transfer Service—Inbound (IMTS—Inbound), International Ancillary Services, and Officially Licensed Retail Products (OLRP). The Commission directs the Postal Service to take corrective action, including monthly reporting, reporting on an investigation of cost estimates, reporting on an investigation of rate and revenue discrepancies, and provide an update on the status of the request to seek authority to terminate or renegotiate agreements.

Service Performance and Customer Access:

FY 2018 service performance results decreased for a majority of products compared to FY 2017 results, and most products failed to meet their service performance targets for FY 2018. Service performance targets were met for USPS Marketing Mail High Density and Saturation Letters, USPS Marketing Mail Parcels, Bound Printed Matter Parcels, and most Special Services products. Service performance targets were not met for all First-Class Mail products, both Periodicals products, USPS Marketing Mail High Density and Saturation Flats/Parcels, USPS Marketing Mail Carrier Route, USPS Marketing Mail Letters, USPS Marketing Mail Flats, USPS Marketing Mail Every Door Direct Mail—Retail, Bound Printed Matter Flats, Media Mail/Library Mail, and Post Office Box Service.

In the FY 2017 ACD, the Commission directed the Postal Service to provide specific information developed from its First-Class Mail Single-Piece Letters/Postcards metrics as part of its FY 2018 ACR. The Postal Service has made progress in developing quantitative analysis linking its root cause assessments with the impact on service performance results for this product and other First-Class Mail and USPS Marketing Mail products.

The Commission directs the Postal Service to continue reporting specific information developed from its First-Class Mail metrics within 90 days of the issuance of this ACD and as part of its FY 2019 ACR. Additionally, the Commission directs the Postal Service to provide more transparency regarding the progress and effects of its existing multi-year national service performance improvement strategies.

Flats Cost and Service:

The Commission expresses concern that the Postal Service does not have a specific plan to address cost and service issues for flat-shaped mail, finding that average unit costs for flats have continued to rise, contribution losses have continued to grow, and flats products have still not met their service performance targets. In Docket No. RM2018-1, the Commission proposed reporting requirements to increase the transparency of information related to flats, and the accountability of the Postal Service when it reports on operational initiatives designed to reduce flats costs. The Commission anticipates that the data reporting will lead to the development of measurable goals to decrease the costs and improve the service of flats. In the meantime, the Commission will continue to encourage the Postal Service to use its data to ensure it is making cost-effective decisions.

The full copy of the report, along with related documents, is available on the Commission's website, www.prc.gov under Docket No. ACR2018.

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 Nanci E. Langley and Commissioners Mark Acton, Tony Hammond and Michael Kubayanda. Follow the PRC on Twitter: @PostalRegulator