



Postal Regulatory Commission

Postal Regulatory Commission
901 New York Avenue, NW
Suite 200
Washington, DC 20268-0001
www.prc.gov

Phone: 202-789-6829
Fax: 202-789-6891
Contact: Gail Adams
gail.adams@prc.gov

Press Release

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PRC Issues Advisory Opinion on USPS Proposal to Change Service Standards for Retail Ground and Parcel Select Ground

Washington, DC – Today, the Postal Regulatory Commission issued its advisory opinion on the Postal Service’s proposal to change service standards for Retail Ground (RG) and Parcel Select Ground (PSG). (Docket No. N2022-1). The Postal Service’s proposal would upgrade the service standards for RG and PSG from its current 2 to 8-day standard to a 2 to 5-day standard. 39 U.S.C. § 3661(b) requires the Postal Service to request an advisory opinion from the Commission prior to implementing a change in the nature of postal services that will generally affect service on a nationwide or substantially nationwide basis.

The Postal Accountability and Enhancement Act provides the Commission with limited oversight over Competitive products, such as the RG and PSG products. The Commission’s advisory opinion is guided by and comports with the policies of Title 39.

The Commission’s advisory opinion analyzes the estimated impact of the proposal on the Postal Service’s operational flow, transportation network, financial condition, and the market for competitive parcels, and includes several primary findings:

1. The Commission finds that there are immediate benefits from reducing the number of times RG and PSG pieces are handled during processing, but expresses concern that the proposal may result in an increased need for manual processing and staff availability for facilities already failing to meet operating plans. Ultimately, the Commission notes this could lead to disruptions in processing and transportation operations and cost increases.
2. The Commission finds that the projected transportation efficiencies to reduce reliance on air transportation and operate a more efficient surface transportation network were not evident in the near term. According to its proposal, the Postal Service expects these benefits to materialize over time, provided the proposed changes capture some of the demand for medium-speed, low-price ground

transportation, and large package shipping. However, the Postal Service is unable to predict when these efficiencies might materialize. The Commission notes that the calculated transportation cost changes are based on numerous assumptions, several of which might be unrealistic.

3. The Commission finds that the planned changes have the potential for meeting market demand and enhancing service to customers sending larger packages, but identifies several areas of concern related to the market research conducted by the Postal Service and used to support its assertions. Specifically, the Commission notes the lack of research targeted to current customers of the products at issue.

Based on its findings of the Postal Services' proposed changes to service standards for RG and PSG, the Commission advises the Postal Service to take into consideration the following recommendations before implementing its plans:

- Design a timeline, which includes all intended incremental changes to the processing network operations and how each would contribute to the eventual, more efficient, shape-based processing network envisioned in its 10-year plan.
- Design a plan to monitor all implications of each such incremental network change to learn from previous changes and fine-tune subsequent changes.
- Conduct more robust research into the market segment that the upgraded RG and PSG service standards would attract to gain a better idea of the weight, capacity, and distance profiles of future large parcel volumes to ensure that continued provision of low prices for potentially high-cost shipping of new volumes does not negatively impact contribution for RG and PSG products.
- Design and implement a plan to monitor the impact on shipping options in the competitive parcels market, especially the impact on mailers who actually use RG and PSG, mailers who are particularly price-sensitive, and large-sized business mailers.
- Design and implement a plan to monitor any volume diversion from Priority Mail and the impact on other Postal Service products.

The Commission's opinion is non-binding and advisory in nature. As a result, the Postal Service is not required to implement or take any further action with regard to the Commission's advisory opinion. The Commission, however, encourages the Postal Service to review these recommendations with serious consideration.

The Postal Regulatory Commission is an independent federal agency that provides regulatory oversight over the 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 President designates the Chairman. In addition to Chairman Michael Kubayanda, the other commissioners are Vice Chairman Ann Fisher and Commissioners Mark Acton, Ashley Poling, and Robert Taub. Follow the PRC on Twitter: @PostalRegulator and LinkedIn.