



# Postal Regulatory Commission

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## Press Release

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### **PRC REVISES PROPOSALS IN SECOND RULEMAKING TO MODIFY THE RATE SYSTEM FOR CLASSES OF MARKET DOMINANT PRODUCTS**

Order clarifies components of previous proposal

**Washington, DC** –Today, the Postal Regulatory Commission (Commission) issued a [revised notice of proposed rulemaking](#) aimed at modifying the system for regulating rates and classes for Market Dominant products. This revised rulemaking takes into consideration comments received after the first rulemaking in December 2017, and further consideration by the Commission. The Postal Accountability and Enhancement Act (PAEA) requires the Commission to review the first 10 years of the existing Market Dominant rate and classification system to determine if the system achieved the nine objectives, considering the 14 factors, established by Congress. The objectives reflect the goals of the PAEA to create a flexible, stable, predictable, and streamlined ratemaking system that ensures the Postal Service's financial health and maintains high-quality service standards and performance. In its first order, the Commission determined that the overall system created by the PAEA had not achieved the objectives taking into account the factors of the PAEA and proposed to amend several parts of title 39 of the Code of Federal Regulations to achieve the objectives of 39 U.S.C. 3622(b).

In this revised rulemaking, the Commission proposes new changes to the regulations and modifies and clarifies previous proposals. These revisions are intended to:

- Provide additional rate authority to address costs largely outside of the Postal Service's control.
- Allow the Postal Service to achieve long-term financial stability and increase operational efficiency while maintaining high-quality service standards.
- Place the Postal Service on the path to having fully compensatory products and classes, as well as improving the financial integrity of the system while allowing for the continued achievement of goals relating to pricing flexibility, and establishing and maintaining just rates.
- Incentivize workshare discounts to adhere as closely as possible to Efficient Component Pricing principles in order to help the ratemaking system maximize incentives to increase efficiency.
- Hold the Postal Service accountable for reporting its efforts to reduce costs within its control by establishing new cost reporting requirements. This is to incentivize the Postal Service to reduce costs and increase the transparency of the system.
- Improve the ratemaking process.

The primary revisions to the Commission's proposal include:

- The Commission modifies the proposed supplemental rate authority mechanism to address drivers of the Postal Service's inability to achieve net income during the PAEA era. Instead of a singular, fixed amount of supplemental rate authority, the revised supplemental authority proposal includes a mechanism that targets two underlying drivers of the Postal Service's net losses that are largely outside of its direct control: declining mail density and statutorily mandated amortization payments for particular retirement costs.
- The Commission adjusts the performance-based authority to retain the 1 percentage point of rate authority benchmark but modifies how the specific performance-based requirements for operational efficiency and service will be measured.
- The Commission makes revisions to the rules for non-compensatory products and classes, proposing that the use of an additional 2 percentage points of rate authority for non-compensatory classes be optional and removing the requirement that determinations be made in the Annual Compliance Determination proceeding.
- The Commission proposes revised rules for worksharing discounts that dispense with the 3-year grace period. The modifications separately address workshare discounts set below avoided costs and workshare discounts set above avoided costs and add new requirements that the Postal Service provide information and analysis specific to certain workshare costs set excessively above or below avoided cost.
- The Commission proposes new reporting requirements for costs and cost-reduction initiatives in response to commenter concerns and in light of the revised proposals for additional rate authority. These reporting requirements address changes in unit costs, specific cost-reduction initiatives, and Decision Analysis Reports (DARs).
- The Commission proposes additional procedural rules related to planning rate adjustments of general applicability.

The Commission's Notice of Proposed Rulemaking for the System for Regulating Rates and Classes for Market Dominant Products and a media kit including Frequently Asked Questions are available at the Commission's website, [www.prc.gov](http://www.prc.gov). To simplify the process for the general public to provide comments on the proposed rulemaking, the Commission has placed a link on its home page entitled, "10 Year Rate System Review." Additional information regarding how to submit comments online can be found at: <http://www.prc.gov/how-to-participate>. Commission rules require that comments (including reply comments) be filed online unless a waiver is obtained. All comments accepted will be made available on the Commission's website. Comments are due no later than Monday, February 3, 2020. Reply comments are due no later than Wednesday, March 4, 2020.