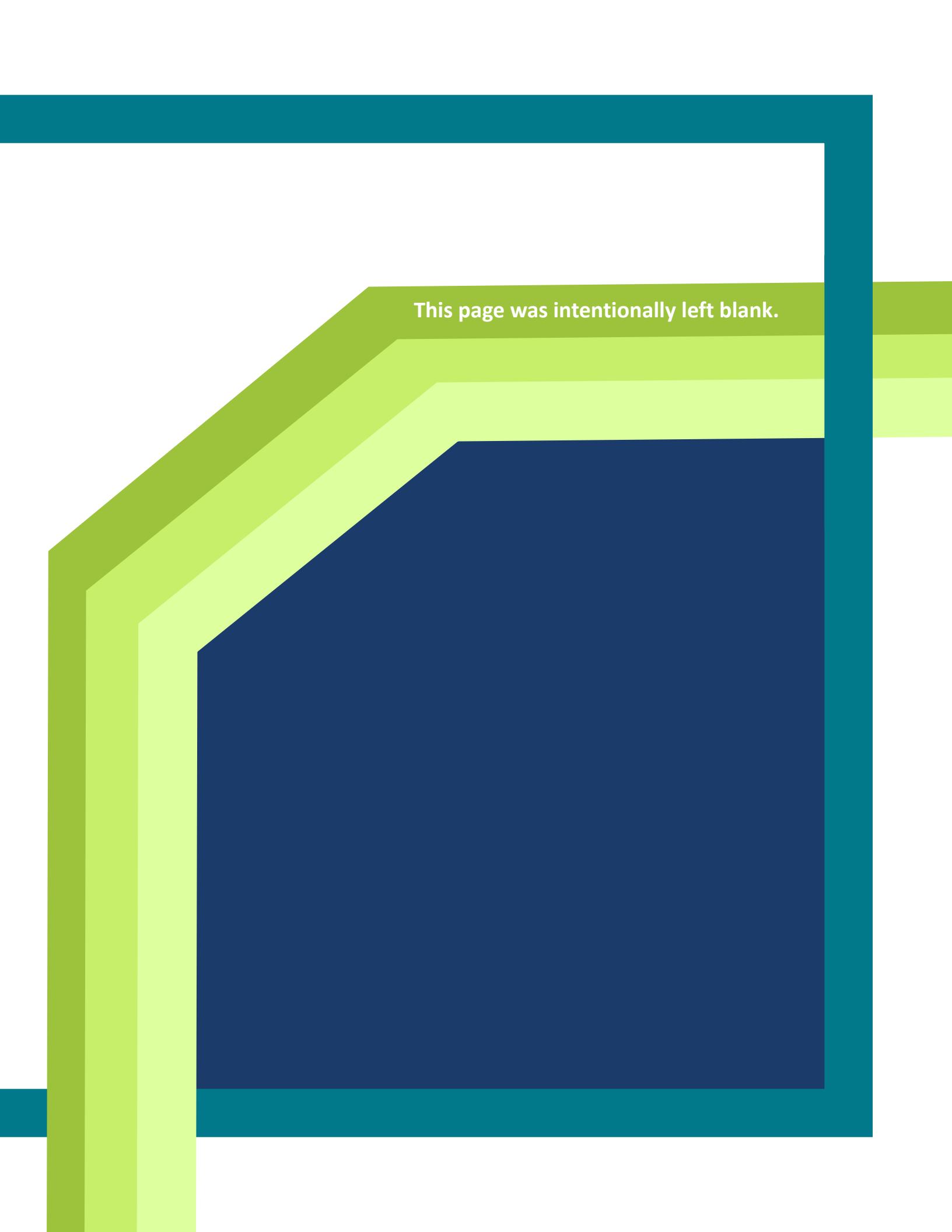




FISCAL YEAR 2025

ANNUAL REPORT

TO THE PRESIDENT & CONGRESS



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LETTER FROM THE VICE CHAIRMAN



JANUARY 2026

On behalf of the Postal Regulatory Commission, I am pleased to present our Annual Report to the President and Congress for fiscal year 2025 (FY 2025). This report offers a comprehensive overview of the Commission's key activities over the past year and fulfills our reporting obligations under the Postal Accountability and Enhancement Act of 2006 (PAEA).

Within this report, you will find detailed information on the Commission's operations, including an estimate of the costs the Postal Service incurred to provide universal service. The Commission's estimate reflects ongoing efforts to refine our analytical methods. Furthermore, we have improved the accuracy of our calculations related to the statutory monopoly's value, ensuring a more precise evaluation of this important aspect of postal regulation. Among many other activities performed in FY 2025, the Commission:

- Issued an Advisory Opinion on the Postal Service's planned changes to its processing and transportation networks
- Evaluated nearly 1,800 contracts between the Postal Service and mailers
- Adjudicated Market Dominant and Competitive rate cases
- Issued final rules limiting the frequency of Market Dominant rate adjustments above the *de minimis* threshold and restricting the Postal Service from setting workshare discounts farther away from their avoided costs

- Amended Commission regulations regarding rate incentives for Market Dominant products appearing in 39 C.F.R. part 3030
- Regularly collaborated with key stakeholder groups, including the Postmaster General and other postal executives
- Advised the U.S. State Department on issues involving international postal policy

These achievements and many others throughout this report underscore the Commission's commitment to its mission and highlight the dedication of our team. We trust this year's Annual Report will provide useful insights into the Commission's role. We remain committed to transparent oversight and to supporting the Postal Service's continued ability to serve the public effectively and efficiently. My fellow Commissioners and I thank you for your attention to this report. We believe the Commission's efforts lay a solid foundation for continued progress in the years ahead and look forward to working with Congress and the Administration on solutions that make our nation's mail system stronger for years to come.

With best wishes, I am

Sincerely yours,



Robert G. Taub
Vice Chairman

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MISSION

Ensure transparency and accountability of the United States Postal Service and foster a vital and efficient universal mail system.

VISION

To be an independent regulator respected for effectively engaging postal stakeholders to promote a robust universal mail system through objective, accurate, and timely regulatory analyses and decisions. We will look to achieve our vision by:

- Taking a multi-disciplinary and integrated approach to work
- Monitoring the environment and anticipating changes to enhance agility
- Utilizing rigorous evaluative methods
- Optimizing stakeholder engagement through an appropriate and clearly-defined public involvement process
- Developing staff expertise to ensure that the Commission is a center for excellence in postal regulatory matters
- Ensuring that the Commission is an employer of choice
- Ensuring efficient stewardship of resources

GUIDING PRINCIPLES

The Commission is committed to and operates by the principles of:

OPENNESS	Public Participation
INTEGRITY	Fairness and impartiality Timely and rigorous analysis
MERIT	Commitment to excellence Collegiality and multi-disciplinary approaches
ADAPTABILITY	Proactive response to the rapidly changing postal environment

ACRONYMS

ANPR	Advanced Notice of Proposed Rulemaking
ACD	Annual Compliance Determination
ACR	Annual Compliance Report
C.F.R.	Code of Federal Regulations
CAG	Cost Ascertainment Group
CHIR	Chairman's Information Request
CIR	Commission Information Request
CCCS	City Carrier Cost System
CPI	Consumer Price Index
CY	Calendar Year
FEVS	Federal Employee Viewpoint Survey
FOIA	Freedom of Information Act
FSS	Flats Sequencing System
FY	Fiscal Year
IMb	Intelligent Mail barcode
IOCS	In-Office Cost System
MCS	Mail Classification Schedule
NPR	Notice of Proposed Rulemaking
NSA	Negotiated Service Agreement
PAEA	Postal Accountability and Enhancement Act
RRM	Return Receipt for Merchandise
SPM	Service Performance Measurement
SPR	Special Purpose Route
TACS	Time and Attendance Collection System
U.S.C.	United States Code
UPU	Universal Postal Union

CHAPTER I. 2025 in Review: Commission Highlights

As documented by countless news headlines in 2025, the Postal Service's financial condition remained dire last year. Mail volume continued its 19-year descent, and service performance declined, as did financial performance. In the end, the Postal Service reported a \$9 billion net loss.

Under Title 39 of the U.S. Code, the Postal Regulatory Commission oversees the Postal Service to ensure it provides prompt, reliable, affordable, and efficient services to all Americans. Established by Congress to protect captive customers and promote transparency, the Commission ensures the Postal Service meets its universal service obligations, including in rural and remote areas, and maintains fair competition in package delivery markets.

Guarding the Mail Monopoly: How the Commission Protects Captive Customers and Fair Competition

Millions of Americans – particularly in rural communities – rely on the mail for life's essentials, such as receiving medications, paying bills, and participating in elections. Because federal law grants the Postal Service exclusive rights to deliver letter mail, for some Americans there are no viable private-sector alternatives to the Postal Service. As the independent regulator for the Postal Service, the Commission helps protect captive customers against potential monopolistic abuse and ensures fair competition.

To protect the public from excessive rate increases, the Commission oversees compliance with laws and regulations and administers a ratemaking system for Market Dominant products — the categories of mail where the Postal Service faces little to no competition. Most postage rate increases are limited by the Consumer Price Index (CPI-U) to help ensure that price changes are predictable and stable. The Commission is currently reviewing the Market Dominant Ratemaking System to consider changes necessary to achieve statutory objectives. In early 2026, it adopted final rules limiting the frequency of rate increases above the *de minimis* threshold and adding criteria for workshare discounts for Market Dominant products.

In FY 2025, the Commission also increased the Postal Service's pricing flexibility by amending regulations regarding incentives for Market Dominant products and evaluated 1,719 specialized contracts (Negotiated Service Agreements) between the Postal Service and customers to ensure they complied with legal requirements. The Commission approved these negotiated service agreements rapidly, while working to make sure USPS does not compete unfairly with private sector shipping competitors.

Commission Oversight: USPS DFA Plan's Service and Financial Shortfalls

The Commission published an advisory opinion publicly documenting that the Postal Service's Delivering for America (DFA) plan has produced slower mail, disproportionate harm to rural communities, speculative cost savings, and worsening USPS finances and productivity, thereby using oversight to promote transparency and accountability. It urged the Postal Service to reconsider whether the highly speculative gains from this proposal outweigh the certain downgrade in service for a significant portion of the nation.

The Commission also:

- Published its *Annual Compliance Determination* to evaluate whether the Postal Service complied with legal requirements concerning rates, fees, and service standards, and issued directives aimed at improving financial and service performance results
- Monitored the Postal Service's service performance to help ensure the Postal Service delivers the mail when promised
- Engaged with stakeholders, processing more than 6,400 inquiries from the general public, meeting with stakeholder groups, engaging in quarterly consultations with the Postmaster General and key USPS executives, and conducting regular consultations with the Postal Inspector General

The Commission's independent regulatory oversight is essential to safeguard universal mail service—especially for captive customers who depend on USPS's letter mail monopoly as the Postal Service continues to face persistent problems (e.g., late deliveries, rising losses, volume drops from digital substitution).

The Commission has done this work along with its other statutory responsibilities with fewer than 100 staff members. As the Commission stated in its Advisory Opinion on the Postal Service's latest service standard reductions, changes are needed at the Postal Service. We stand ready to work with the President and Congress to ensure the long-term stability of the postal system.

CHAPTER II. About the Commission

The Commission is an independent federal agency that has exercised regulatory oversight over the Postal Service since its creation by the Postal Reorganization Act of 1970, with expanded responsibilities under the Postal Accountability and Enhancement Act of 2006. The Commission is composed of five Commissioners, each of whom is appointed by the President, by and with the advice and consent of the Senate, for a term of six years. A Commissioner may continue to serve after the expiration of his or her term until a successor is confirmed, except that a Commissioner may not continue to serve for more than 1 year after the date on which his or her term would have otherwise expired. Not more than 3 of the Commissioners may be adherents of the same political party.

Current Commission Leadership



Robert G. Taub
VICE CHAIRMAN

Robert G. Taub was chairman of the Commission for more than 6 years, from December 2014 until January 2021. Three times appointed to the Commission following unanimous confirmations by the U.S. Senate in 2011, 2016, and 2023, Commissioner Taub has more than 40 years of public service experience at the local, state, and federal levels. Before joining the Commission in October 2011, he was a principal civilian advisor to the Secretary of the Army John M. McHugh. As an Army senior executive, he helped the Secretary lead a workforce of more than 1.2 million people, and manage an annual budget exceeding \$200 billion. Commissioner Taub was awarded the Army's Decoration for Distinguished Civilian Service. Before his appointment to the Army, Mr. Taub served as Chief of Staff to U.S. Representative John M. McHugh (R-NY) for the preceding decade. As chief of staff, he oversaw the day-to-day operations of Representative McHugh's staff and offices in Washington, D.C. and Northern New York State. In a variety of leadership roles on the U.S. House Oversight & Government Reform Committee for 12 years, Mr. Taub also worked closely with Congressman McHugh on matters relating to the nation's postal and delivery sector. He crafted Representative McHugh's legislation for modernizing America's postal laws for the first time since 1970, culminating in passage of the Postal Accountability and Enhancement Act in 2006. Mr. Taub also helped Representative McHugh conduct hearings and investigations into postal operations that ultimately led to the enactment of a dozen other postal laws. During his tenure in public office, Mr. Taub has addressed numerous national and regional conventions of postal employee organizations, mailing industry groups, and government and academic conferences both in the U.S. and abroad, on issues confronting the postal sector. The Inspector General of the U.S. Postal Service, postal employee unions, and mailing

industry associations and nonprofits have all recognized Mr. Taub with several awards and honors. Prior to his time with the House of Representatives, Mr. Taub worked for eight years at the U.S. Government Accountability Office (GAO), the investigative arm of Congress. As a senior policy analyst, Mr. Taub planned and directed evaluations for the Congress on environmental, banking, energy, and defense issues. Previous to his position with the GAO, Mr. Taub worked as a staff member for three different Members of Congress, a Member of the British Parliament, and state and county officials in upstate New York.



Thomas G. Day COMMISSIONER

Commissioner Thomas G. Day was nominated by President Joseph Biden and confirmed by the United States Senate on September 28, 2023, for the remainder of a six-year term that expires October 14, 2028. Mr. Day served 45 years in the federal government in both the US Army and the US Postal Service. During his 35-year career in the Postal Service, he held senior executive positions as vice president-engineering, senior vice president-government relations, senior vice president-intelligent mail, and the chief sustainability officer. He also served as the Chair of the Standards Board at the Universal Postal Union. Following his retirement from the Postal Service, he was the chief commercial and financial officer at the International Post Corporation in Brussels, Belgium. Day is a 1978 graduate of the U.S. Military Academy at West Point with a B.S. in Engineering. He also has a M.A in Management from Central Michigan University in 1981 and was a Sloan Fellow at the Stanford University Graduate School of Business in 1996 with a M.S. in Management.



Ann C. Fisher COMMISSIONER

Ann C. Fisher has been sworn in twice as Commissioner of the Postal Regulatory Commission following nominations by both President Trump and Biden and unanimous confirmation by the United States Senate. Commissioner Fisher is a proud 32-year federal employee. Prior to joining the Commission, Fisher spent twelve years working in the U.S. Senate, advising members on small business, health care, federal employee and Postal Service issues. She began her career serving as an economist for her home state senator, Larry Pressler (R-SD) on the Senate Small Business Committee. She later joined Senator Thad Cochran's staff on the International Security, Proliferation and Federal Services Subcommittee, serving as the Senator's advisor on federal employee and U.S. Postal Service issues. Her final four years in the Senate were as Deputy Staff

Director to then-Chairman Susan Collins (R-ME) on the Senate Homeland Security and Governmental Affairs Committee. Fisher was the primary Senate Republican aide overseeing passage of the Postal Accountability and Enhancement Act of 2006. Additionally, Fisher spent four years as government relations executive at the U.S. Postal Service Headquarters. She was charged with overseeing resolution of congressional concerns throughout the country's Midwest region. In 2006, Fisher joined Postal Regulatory Commission Chair Dan G. Blair as chief of staff at the newly renamed and empowered Postal Rate Commission. Fisher also served for several years as the Commission's director of public affairs and government relations. Commissioner Fisher holds a B.S. degree in mathematics from Minnesota State University, Mankato and an M.A. degree in economics from the University of South Dakota. Her term expires October 14, 2030.



Ashley E. Poling COMMISSIONER

Ashley Jay Elizabeth Poling was sworn in as commissioner for a first term on August 8, 2019, following her nomination by President Donald J. Trump and confirmation by the United States Senate. Ms. Poling was subsequently renominated for a second term by President Joseph Biden and confirmed by the Senate on September 25, 2024. Prior to joining the Postal Regulatory Commission, Ms. Poling served as the director of governmental affairs and senior counsel to Ranking Member Gary C. Peters (D-MI) on the Senate Homeland Security and Governmental Affairs

Committee, where she advised Senator Peters on policy issues, negotiated with stakeholders to advance bipartisan legislation, and implemented strategies to advance Senator Peters' governmental affairs priorities. Ms. Poling also served as senior policy counsel to Senator Heidi Heitkamp (D-ND) and as counsel to Senator Jon Tester (D-MT) on their respective Homeland Security and Governmental Affairs Subcommittees, where she focused on postal reform and federal workforce issues. Ms. Poling's second term expires on November 22, 2030. Commissioner Poling holds a J.D. degree from Elon University School of Law and an English degree from The College of William and Mary. She is a native of North Carolina.

Staff and Office Structure

Supporting the Commission's mission are professional staff in its five operating offices with expertise in law, economics, finance, statistics, and cost accounting.

OFFICE OF ACCOUNTABILITY & COMPLIANCE

The Office of Accountability and Compliance is responsible for technical analysis and formulating policy recommendations for the Commission on domestic and international matters.

OFFICE OF PUBLIC AFFAIRS & GOVERNMENT RELATIONS

The Office of Public Affairs and Government Relations facilitates prompt and responsive communications with the public, Congress, federal agencies, the Postal Service, and the media.

OFFICE OF THE GENERAL COUNSEL

The Office of the General Counsel ensures the Commission fulfills its statutory and regulatory obligations by providing legal guidance on matters involving the Commission's responsibilities.

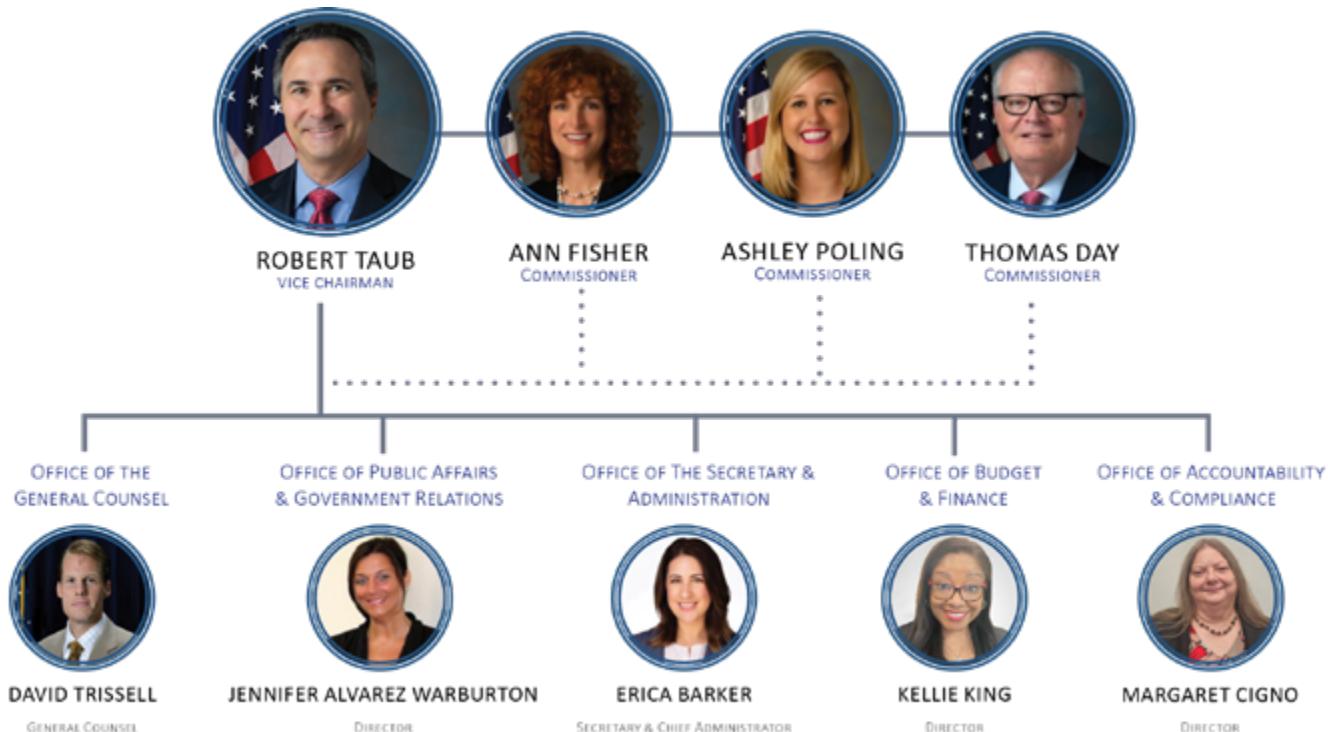
OFFICE OF BUDGET AND FINANCE

The Office of Budget and Finance serves as a strategic partner for the Commission to plan, execute, and manage fiscal resources necessary to support the successful execution of the Commission's mission, ensuring alignment with its strategic and operational goals and objectives. Ensures the Commission executes its fiscal responsibilities in accordance with applicable laws and regulations and within established funding guidelines.

OFFICE OF THE SECRETARY & ADMINISTRATION

The Office of the Secretary and Administration records the Commission's official actions; manages the Commission's records, human resources, information technology; and provides other support services.

Figure II-1
Current Organizational Structure¹



¹ Due to a vacancy in the position of Chairman, the Vice Chairman has the administrative responsibilities and duties of the Chairman in accordance with 39 U.S.C. Section 502 (e) (Commissioners), which states: (e).... The Vice Chairman shall act as Chairman of the Commission in the absence of the Chairman.

Strategic Planning

Strategic Planning provides a resilient framework that enables the Commission to anticipate changes in the postal community.

During FY 2025, the Commission entered its third year of implementing the **2023-2028 STRATEGIC PLAN**. The Strategic Plan provides a resilient framework that enables the Commission to anticipate changes in the postal system and adapt its oversight to ensure continued transparency and accountability of the United States Postal Service. Built around four strategic goals and supported by corresponding objectives and performance indicators, the Strategic Plan offers both strategic focus and clear prioritization for the Commission's work.

Below is a summary of the progress the Commission has made for each of the four strategic goals:

Strategic Goal 1: Type of Regulator

The Commission strengthened its ability to anticipate and respond to changes in the postal ecosystem by initiating several efforts aimed at improving situational awareness and regulatory responsiveness. This included conducting tabletop exercises and hosting an Industry Day to gather insights directly from postal operators, experts, and stakeholders. These activities enhanced the Commission's understanding of emerging trends and operational realities, ultimately supporting a more informed and efficient regulatory framework.

Strategic Goal 2: Audience & Communications

Building on the stakeholder insights gathered under Goal 1, the Commission advanced implementation of its Communication Plan to improve the clarity, accessibility, and reach of its regulatory information. The Commission expanded its use of digital platforms, including timely updates to its website and social media platforms, to increase the availability of accurate and relevant information. These efforts strengthened the Commission's ability to

engage stakeholders and communicate complex regulatory matters effectively.

Strategic Goal 3: Capability Modernization

The Commission continued its work to streamline and modernize its internal operations. A comprehensive analysis of the Commission's product portfolio was completed to better align resources with stakeholder needs. Additionally, the newly created Office of Budget and Finance further evolved the agency's approach to financial management, ensuring more strategic oversight and improved internal processes. Combined, these initiatives strengthened the Commission's operational infrastructure and addressed several critical organizational priorities.

Strategic Goal 4: Workforce & People Development

FY 2025 featured several initiatives aimed at improving employee experience and HR service delivery. The Commission continued to enhance its internal HR processes and launched a comprehensive assessment of HR policies and practices to identify opportunities for modernization and improvement.

Chapter III. FY 2025 Regulatory Activities

This chapter describes the Commission's major regulatory activities during FY 2025. The Commission's role in regulating the Postal Service is limited and defined by the Postal Accountability and Enhancement Act (PAEA)² and the Postal Service Reform Act of 2022.³ The Commission's regulatory activities are shown in Figure III-1 and described in the corresponding section in this chapter.

Figure III-1
Commission's Role as the Postal Service's Regulator



^a Service performance refers to the time it takes for the Postal Service to deliver a mailpiece from acceptance to delivery. Mail is considered delivered on time when it arrives by the published service standard. The service standard is based on the mail class, where it originates (comes from), and where it is destined (goes to).

^b Post Office closing appeals are described in the FY 2023 Annual Report at 47. No Post Office closing appeals were filed in FY 2025.

The Commission issues orders, reports, and advisory opinions that provide impartial, technical, rigorous, and timely analyses based on merit. Major dockets and proceedings are described below.

2 Pub. L. 109-435, 120 Stat. 3198 (2006).

3 Pub. L. 117-108, 136 Stat. 1127 (2022).

Figure III-2
Market Dominant Classes and Products



Source: 39 C.F.R. pt. 3040, subpt. A, App'x A.

Rate Adjustments

One of the Commission's major responsibilities is to ensure that the Postal Service's proposed rate adjustments for Market Dominant and Competitive products comply with applicable statutory and regulatory requirements. Proposed rate adjustments often include requests to change the Market Dominant or Competitive product lists or the *Mail Classification Schedule* (MCS), which contains rates, fees, and descriptions for each product. Product list and MCS requirements are discussed below in **CHANGES TO PRODUCT LISTS AND THE MAIL CLASSIFICATION SCHEDULE**.

In FY 2025, the Commission reviewed the Postal Service's proposed rate adjustments for both Market Dominant and Competitive products, which are as follows:

Market Dominant Products

Market Dominant products are divided into five mail classes as shown in Figure III-2.⁴ When the Postal Service decides to change rates for any Market Dominant product, it must inform the public and file a request with the Commission to review its proposed rate adjustments and related MCS changes no later than 90 days before the planned implementation date.⁵ The Commission then initiates a proceeding to consider the proposed changes, appoints a Public Representative, and provides an opportunity for public comment.⁶

The Commission's regulations governing Market Dominant rate adjustments are codified in 39 C.F.R. part 3030 and have several key features shown in Figure III-3. The regulations are described in detail in Order No. 8867.⁷

⁴ This section discusses rates of general applicability for Market Dominant products.

⁵ 39 C.F.R. § 3030.121(c)-(d).

⁶ *Id.* §§ 3030.124, 3030.125.

⁷ Docket No. R2025-1, Order on Price Adjustments for First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, May 30, 2025, at 6-9 (Order No. 8867).

Figure III-3
Regulation of Rates for Market Dominant Products Key Features

<p>NON-COMPENSATORY PRODUCTS^a</p> <ul style="list-style-type: none"> • The Postal Service may not reduce rates for any non-compensatory product • The Postal Service must propose minimum rate increases for each non-compensatory product that is part of a mail class that covers its costs 	<p>WORKSHARE DISCOUNTS^b</p> <ul style="list-style-type: none"> • The Postal Service may not: <ul style="list-style-type: none"> • Change discounts that are equal to avoided costs^d • Reduce discounts that are less than avoided costs • Increase discounts that are more than avoided costs • The Postal Service may: <ul style="list-style-type: none"> • Set discounts that do not equal avoided costs only under certain circumstances
<p>TYPES OF RATE AUTHORITY</p> <ul style="list-style-type: none"> • Consumer Price Index • Density • Retirement Obligation^c • Non-Compensatory Classes • Banked Rate Adjustment 	

Source: 39 C.F.R. pt. 3030; Order No. 8867 at 6-9.

^a Non-compensatory classes and products are those where the attributable cost for the class or product exceeds the revenue from that class or product, which the Commission determines. 39 C.F.R. § 3030.220.

^b Workshare discounts provide reduced prices for mail that is prepared or entered in a manner that avoids certain activities the Postal Service would otherwise have to perform, such as presorting, barcoding, handling, or transporting mail. 39 U.S.C. § 3622(e). Mailers receive discounts for worksharing because the Postal Service does not have to pay the cost of performing these activities.

^c Retirement Obligation rate authority will not be available in future rate adjustment proceedings because it was only available for 5 fiscal years. See 39 C.F.R. § 3030.181(a).

^d Avoided costs are the costs the Postal Service would have incurred if it performed the worksharing activity.

The Commission maintains a public dashboard that allows users to interactively review data on rate authority granted and used over time. It is available at www.prc.gov by selecting **REPORTS AND DATA** then **RATE AUTHORITY DASHBOARD**.

The Commission analyzes the Postal Service's proposed rate adjustments for compliance with applicable regulations, Commission directives and orders, and statutorily-required preferential pricing requirements.⁸ In FY 2025, the Postal Service filed one notice proposing rate adjustments and related MCS changes for most Market Dominant products in Docket No. R2025-1.⁹ After analyzing the record and considering the comments received, the Commission issued an order concluding that the planned rate adjustments, including workshare discounts, were consistent with applicable law.¹⁰ The rates and related MCS changes became effective on July 13, 2025.¹¹

In the order, the Commission also expressed concerns about the substantial declines in Market Dominant volumes, service performance, and the Postal Service's financial situation. In response

⁸ 39 C.F.R. § 3030.126(b).

⁹ Docket No. R2025-1, United States Postal Service Notice of Market-Dominant Price Change, April 9, 2025.

¹⁰ Order No. 8867 at 145.

¹¹ *Id.* at 10.

to some of these same concerns in FY 2024, the Commission opened Docket No. RM2024-4 to evaluate the Market Dominant ratemaking system, which is described below under **RULEMAKINGS AMENDING COMMISSION REGULATIONS**.

Also, in FY 2025, the Commission amended its regulations regarding rate incentives for Market Dominant products appearing in 39 C.F.R. part 3030.¹² The Postal Service may propose offering mailers rate incentives, which are certain discounts designed to increase or retain volume, improve the value of mail for mailers, or improve the operations of the Postal Service. The amended regulations created a mechanism to encourage the Postal Service to offer certain rate incentives targeting volume growth.¹³

Competitive Products

For Competitive products, when the Postal Service decides to change rates or classes of general applicability, it must file a notice with the Commission describing the proposed adjustments at least 30 days before the new rates or classes become effective.¹⁴ For proposed changes to rates or classes not of general applicability, the Postal Service must provide 15 days' advance notice.¹⁵ The notice of proposed rate or class adjustment must explain and justify the proposed changes, identify the effective date of the new rates or classes, and include either a schedule of the changed rates or the record of proceedings regarding the changes.¹⁶

The Commission reviews proposed rate adjustments for Competitive products to ensure they will comply with three statutory requirements in 39 U.S.C. § 3633(a):

1. Market Dominant products must not subsidize Competitive products¹⁷
2. Each Competitive product must cover its attributable costs, which are “the direct and indirect postal costs attributable to such product through reliably identified causal relationships”¹⁸
3. All Competitive products must collectively cover what the Commission determines to be an appropriate share of the Postal Service’s institutional costs¹⁹

¹² Docket No. RM2020-5, Final Order Amending Rules Regarding Rate Incentives for Market Dominant Products, February 19, 2025 (Order No. 8708); *see* Market Dominant Postal Products, 90 Fed. Reg. 10,689 (Feb. 26, 2025) (to be codified at 39 C.F.R. pt. 3030). The proposed rules were described in the FY 2024 Annual Report at 27.

¹³ Order No. 8708 at 30; Docket No. RM2020-5, Second Supplemental Notice of Proposed Rulemaking to Amend Rules Regarding Rate Incentives for Market Dominant Products, September 20, 2024, at 37-49 (Order No. 7559). The amended regulations induce the Postal Service to offer certain volume growth rate incentives by allowing such rate incentives to be included in the percentage change in rates calculation. *See* Order No. 7559 at 38.

¹⁴ 39 U.S.C. § 3632(b)(2); 39 C.F.R. §§ 3035.102-.104. The Postal Service must also publish its decision to change rates or classes of general applicability in the *Federal Register* at least 30 days before the new rates or classes become effective. *Id.*

¹⁵ 39 U.S.C. § 3632(b)(3); 39 C.F.R. § 3035.105(a).

¹⁶ 39 C.F.R. §§ 3035.102-.105. For proposed decreases in rates of general applicability and changes to rates or classes not of general applicability, the notice must also include (1) sufficient revenue and cost data for the 12-month period following the effective date of the change demonstrating that each affected Competitive product will cover its attributable costs and (2) a Postal Service certified statement attesting to the accuracy of the data submitted and explaining why, following the change, Competitive products in total will not be subsidized by Market Dominant products and will cover an appropriate share of the Postal Service’s institutional costs. 39 C.F.R. §§ 3035.103(c), 3035.105(c).

¹⁷ 39 U.S.C. § 3633(a)(1).

¹⁸ 39 U.S.C. §§ 3633(a)(2), 3631(b).

¹⁹ 39 U.S.C. § 3633(a)(3). The appropriate share is codified in 39 C.F.R. § 3035.107.

Competitive rate adjustments must also comply with the applicable provisions of the Commission's rules in 39 C.F.R. parts 3035 and 3041. In FY 2025, the Commission reviewed the Postal Service's proposed changes to both rates of general applicability and rates not of general applicability for Competitive products. Each is discussed below.

Figure III-4
Competitive Products



^aThe Competitive Ancillary Services product consists of the following services: Adult Signature, Package Intercept Service, Premium Data Retention and Retrieval Service, and Label Delivery Service. Docket No. ACR2024, Annual Compliance Determination, March 28, 2025, at 43 n.38 (FY 2024 ACD).

^bThis was removed from the Competitive product: list effective January 18, 2026. Docket No. MC2025-1676, Order Approving the Removal of International Surface Air Lift (ISAL) and Two Types of Negotiated Service Agreement Products that Include ISAL from the Competitive Product List and Accompanying Classification Changes, October 30, 2025, at 11-12 [Order No. 9320]. See Product Lists section below.

Source: 39 C.F.R. pt. 3040, subpt. A, App'x B.

Rates of General Applicability

Competitive products with rates of general applicability are grouped into domestic and international products, as shown in Figure III-4 on the left.

In FY 2025, the Commission reviewed and approved the Postal Service's proposed changes in rates of general applicability for most domestic and international Competitive products, which were effective on January 19, 2025.²⁰ The Commission subsequently reviewed and approved another proposed Competitive rate increase and MCS changes for Priority Mail, Parcel Select, and USPS Ground Advantage (effective July 13, 2025),²¹ as well as proposed temporary rate increases for Priority Mail Express, Priority Mail, USPS Ground Advantage, and Parcel Select, which were in effect between October 5, 2025 and January 18, 2026.²²

Rates Not of General Applicability

Negotiated Service Agreements (NSAs). The Postal Service enters into contracts with customers to provide them with customized shipping solutions and mailing incentives. These contracts provide mutual benefits for the Postal Service and its customers. One type of customer contract is an NSA, which is an agreement between the Postal Service and a specific mailer for a defined time period that provides the mailer customized rates, fees, and/or terms of service.²³ Competitive NSAs require prior Commission review.

20 Docket No. CP2025-1, Order Concerning Changes in Rates of General Applicability and Classifications for Competitive Products, January 16, 2025 (Order No. 8635).

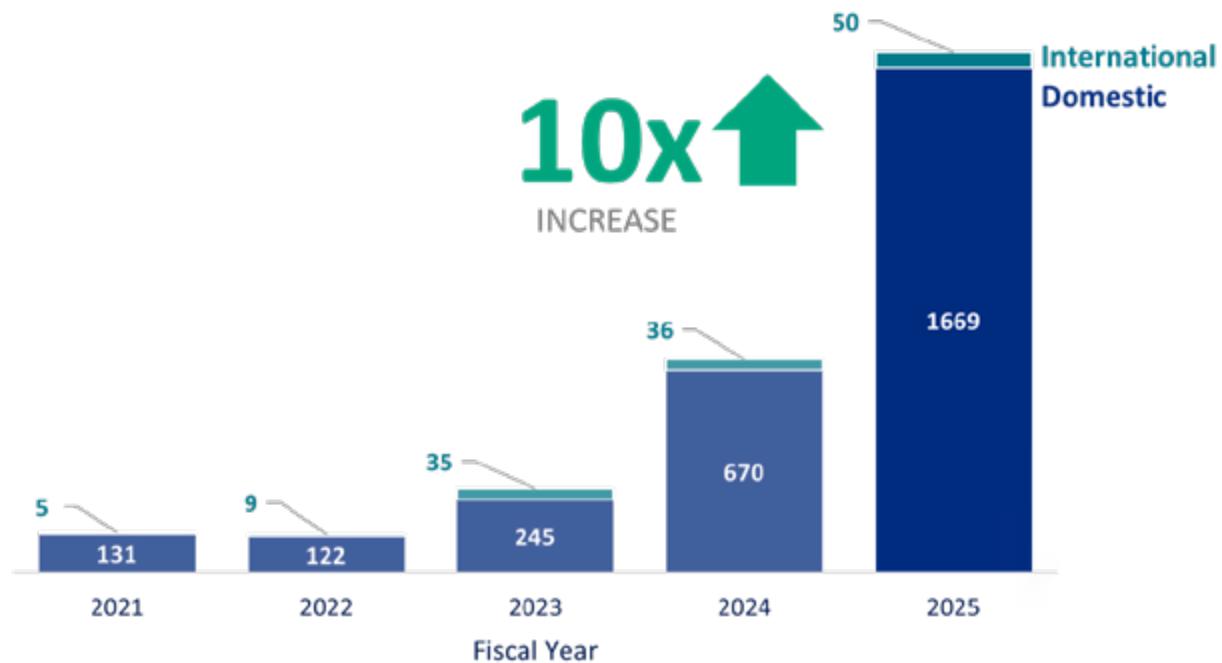
21 Docket No. CP2025-7, Order Approving Changes in Rates and Classifications of General Applicability for Competitive Products, July 2, 2025 (Order No. 8947).

22 Docket No. CP2025-10, Order Approving Price Adjustments for Domestic Competitive Products, September 11, 2025 (Order No. 9176).

23 39 C.F.R. § 3010.101(f).

Figure III-5 presents the number of NSAs the Commission approved between FY 2021 and FY 2025. From FY 2021 through FY 2024, NSAs surged more than 400%. In FY 2025, there were 4572 total active NSAs facilitating more than \$25 billion in business. This total includes both individual contracts and grouped contracts that do not require individual approval because they use a pre-approved contract template and financial model. Even with those grouped options available, the Commission still approved more than twice as many NSAs in FY 2025 as it did in FY 2024, and more than 10 times as many as it did in FY 2021.

Figure III-5
Commission Approved Competitive NSAs (FY 2021-FY 2025)^a



^a This graph shows approved NSAs the Postal Service filed as new products or as functionally equivalent to the baseline agreement of existing products. This graph does not include NSA modifications or amendments or products with non-published rates.

Source: WWW.PRC.GOV; select REPORTS AND DATA then NSA DASHBOARD then APPROVALS.

Products with non-published rates (NPR) allow the Postal Service to enter into contracts featuring negotiated rates without prior Commission review of each separate contract. NPR contracts must comply with Commission classification and regulatory requirements, including pre-approved pricing formulas, minimum cost coverage, and documentation. Table III-1 shows the number of NPR contracts implemented by the Postal Service between FY 2021 and FY 2025.

Table III-1
Non-Published Rates Contracts Implemented by the Postal Service (FY 2021-FY 2025)

Contract Name	2021	2022	2023	2024	2025
Global Expedited Package Services (GEPS) NPR 1-17 ^a	159	134	90	77	98
Mid-Market NPR 1 and 2 ^a			N/A		1,783
Priority Mail NPR 1 and 2	120	82	187	0	0
Total	279	216	277	77	1,881

^aMid-Market—NPR 1 and 2 and GEPS—NPR 17 were added to the Competitive product list in FY 2025. Docket Nos. RM2025-8 and K2025-1321, Order Authorizing Streamlined Review for Global Expedited Package Services—Non-Published Rates 17 (GEPS—NPR 17), Adding GEPS—NPR 17 to the Competitive Product List, and Providing Further Guidance, May 29, 2025 (Order No. 8864); Docket Nos. RM2025-5, K2025-491, and K2025-1124, Order Authorizing Streamlined Review for Eligible Mid-Market Standardized Distinct Products and Non-Published Rates Products and Adding Non-Published Rates Products to the Competitive Product List, January 15, 2025 (Order No. 8617).

N/A - There were no Mid-Market NPR Contracts between FY 2021 and FY 2024.

Source: WWW.PRC.GOV; select REPORTS AND DATA then NSA DASHBOARD then NPRS.

The Commission maintains a public dashboard that allows users to interactively review data on NSAs and NPR contracts. It is available at WWW.PRC.GOV by selecting REPORTS AND DATA then NEGOTIATED SERVICE AGREEMENT DASHBOARD.

Changes to Product Lists and the *Mail Classification Schedule*

Product Lists

The Postal Service and mail users may ask the Commission to change the Market Dominant and Competitive product lists by adding new products, removing current products, or transferring products between the lists.²⁴ The Commission reviews requests to change the product lists for compliance with 39 U.S.C. § 3642 and the Commission's regulations in 39 C.F.R. part 3040.²⁵ The criteria for evaluating proposed changes to the product lists are described in 39 U.S.C. § 3642(b). First, a product may not be classified as Competitive if the Postal Service exercises sufficient market power to do any of the following without risk of losing a significant level of business to other firms offering similar products:

²⁴ 39 U.S.C. § 3642(a). The Commission may also initiate a proceeding to change the product lists. *Id.* Product list updates are issued in Docket No. RM2020-8 and published in the *Federal Register*.

²⁵ 39 C.F.R. pt. 3040, subpts. B-D.

- Set the product's price substantially above costs
- Raise prices significantly
- Decrease quality
- Decrease output²⁶

Second, a product covered by the postal monopoly may not be transferred from the Market Dominant product list.²⁷ Third, the Commission must consider concerns of the private sector, product users, and small businesses.²⁸ When filing a request to modify the product lists, the Postal Service must include the contents and supporting justification required by 39 C.F.R. §§ 3040.131-132.

When adding a product to the Competitive product list, the proposed product must also meet the financial requirements of 39 U.S.C. § 3633, which are discussed in the **RATE ADJUSTMENTS – COMPETITIVE PRODUCTS** section above.²⁹ In FY 2025, the Commission approved the Postal Service's request to remove International Surface Air Lift and two NSAs including this product from the Competitive product list.³⁰ The Commission also considered the Postal Service's request to remove Bound Printed Matter (BPM) Flats and BPM Parcels from the Market Dominant product list, which is discussed below.

Removal of Bound Printed Matter (BPM) Products

BPM Flats and BPM Parcels are products within the Package Services class. *See Figure III-2, above.* These products may not weigh more than 15 pounds and may only contain printed matter consisting of advertising, promotional, directory, or editorial material (or any combination of such material), including books.³¹ On December 20, 2024, the Postal Service filed a request to remove BPM Flats and BPM Parcels from the Market Dominant product list, asserting that the removal would simplify product offerings and address pricing anomalies.³²

After reviewing the record and considering comments received, the Commission issued an order denying the request for several reasons. First, it observed that unlike past removal requests, BPM Flats and BPM Parcels have substantial volumes and revenue, and removing these products would not result in discontinuing any service or achieving cost savings.³³ Second, the Commission found that removing BPM Flats and BPM Parcels “would materially harm mailers by abusing the Postal Service’s

²⁶ 39 U.S.C. § 3642(b)(1).

²⁷ 39 U.S.C. § 3642(b)(2).

²⁸ 39 U.S.C. § 3642(b)(3).

²⁹ *See* 39 C.F.R. § 3040.132(c). Rules governing Competitive NSAs are governed by 39 C.F.R. part 3041.

³⁰ Order No. 9320 at 11-12.

³¹ *Mail Classification Schedule*, §§ 1415.1, 1420.1, available at <https://www.prc.gov/mail-classification-schedule>.

³² Docket No. MC2025-948, United States Postal Service Request to Remove Bound Printed Matter from the Market-Dominant Product List, December 20, 2024. That same day, the Postal Service filed a notice proposing to change the weight limitations for certain USPS Marketing Mail products, which the Commission approved. Docket Nos. MC2025-948 and MC2025-958, Order Denying Request to Remove Bound Printed Matter from the Market Dominant Product List and Approving Changes in Weight Limits for USPS Marketing Mail, June 25, 2025, at 52-55 (Order No. 8937).

³³ *Id.* at 37.

market power to impose a monopolistic rate increase.”³⁴ It stated that because these products have no effective competition from private sector enterprises, customers using these products would have to pay substantially higher prices.³⁵ Third, the Commission found evidence in the record demonstrating that the proposed product removals will likely impact small businesses disproportionately.³⁶

The Commission concluded that the minimal benefits to the Postal Service from removing BPM Flats and BPM Parcels from the Market Dominant product list “are easily outweighed by the lack of enterprises in the private sector engaged in the delivery of the product; the opposition of [BPM Flats and BPM Parcels users] to the removal of the products; and by the impact of the proposed removals on small business concerns.”³⁷

Mail Classification Schedule (MCS)

The Market Dominant and Competitive product lists are published in the MCS, which also includes rates, fees, and descriptions for each product.³⁸ The MCS also contains applicable size and weight limitations for mail matter as part of the description for each product.³⁹ The Postal Service may propose changes to the MCS by filing a request, which the Commission reviews for compliance with its regulations.⁴⁰ The MCS is available at WWW.PRC.GOV; by selecting **RESOURCES** then **MAIL CLASSIFICATION SCHEDULE**.

Zone-Based Rates

On June 11, 2025, the Postal Service filed a proposal to change MCS product descriptions within First-Class Mail, USPS Marketing Mail, and Periodicals.⁴¹ The proposal would, among other changes, introduce zone-based pricing for most origin-entered⁴² USPS Marketing Mail and Outside County Periodicals.⁴³ Because these changes would modify certain workshare discounts, the Postal Service filed accompanying proposals to consider related changes to analytical principles, which are discussed in the **PROPOSALS TO CHANGE ANALYTICAL PRINCIPLES** section below.⁴⁴

The Commission approved some of the proposed MCS changes and analytical principles.⁴⁵ However, it denied the Postal Service’s proposal to implement a zone-based pricing structure for most

³⁴ *Id.* at 51.

³⁵ *Id.* at 50.

³⁶ *Id.* at 46.

³⁷ *Id.* at 52.

³⁸ 39 C.F.R. §§ 3040.101(c), 3040.104.

³⁹ 39 C.F.R. § 3040.210; *see* 39 U.S.C. § 3682.

⁴⁰ 39 C.F.R. pt. 3040, subpt. E. The Postal Service may propose material changes or minor corrections to the MCS depending on “the degree to which the proposed alteration affects the characteristics of the product.” Docket No. RM2015-6, Notice of Proposed Rulemaking on Changes and Corrections to the Mail Classification Schedule, November 14, 2014, at 9, 14 (Order No. 2250).

⁴¹ Docket No. MC2025-1483, United States Postal Service Proposal to Modify the Product Descriptions of First-Class Mail, USPS Marketing Mail, and Periodicals, June 11, 2025 (MCS Proposal).

⁴² “Origin” refers to the point or place where mail is fully prepared just before it enters the mailstream. United States Postal Service Publication 32, Glossary of Postal Terms, July 2013, available at https://about.usps.com/publications/pub32/pub32_terms.htm#ep1010782.

⁴³ MCS Proposal at 1, 14-15. Other changes include eliminating bundle and container prices and introducing simplified container discounts for Outside County Periodicals; eliminating duplicative area distribution center presort rates for First-Class Mail, USPS Marketing Mail, and Periodicals and clarifying rate table labels; and eliminating presort discounts for USPS Marketing Mail Parcels entered at the network distribution center. *Id.* at 1-2.

⁴⁴ Docket No. RM2025-11, Petition of the United States Postal Service to Initiate a Proceeding to Change Analytical Principles, June 11, 2025.

⁴⁵ Docket Nos. MC2025-1483 and RM2025-11, Order Approving in Part Changes to Analytical Principles and Product Descriptions and Ordering Further Proceedings on Proposal One and Periodicals Zone-Based Pricing, August 14, 2025 (Order No. 9086).

USPS Marketing Mail and Outside County Periodicals, along with the related change to analytical principles.⁴⁶ These changes would effectively eliminate most measurable workshare dropship discounts in USPS Marketing Mail so that measurable workshare relationships would no longer be subject to the Commission’s workshare discount rules.⁴⁷

The Commission concluded that because the progressively reduced rates by zone for mail entered closer to the destination incentivize mailers to enter mail closer to destination, the zone-based rates must comply with the Commission’s workshare discount rules for transportation.⁴⁸ However, it found that the Postal Service’s proposal failed to properly account for transportation worksharing between zones.⁴⁹ The Commission stated that if the Postal Service continued to seek approval to implement a zone-based pricing structure for most USPS Marketing Mail and Outside County Periodicals, it must develop and submit a methodology to measure avoided costs between zones.⁵⁰

Nature of Service

The Postal Service must request an advisory opinion from the Commission for proposed “change[s] in the nature of postal services which will generally affect service on a nationwide or substantially nationwide basis[.]”⁵¹ The Commission’s rules require the Postal Service to file its request at least 90 days before the effective date of the proposed changes.⁵² Before issuing its advisory opinion, the Commission must provide an opportunity for a formal, on-the-record hearing.⁵³ The advisory opinion process is intended to better inform the Postal Service in its decision-making process, provide the public an opportunity to question and challenge Postal Service assumptions, provide transparency into the Postal Service’s decision-making and policy-development process, and provide a different perspective for the Postal Service to consider.⁵⁴

The Commission’s opinion is advisory in nature. The law does not authorize the Commission to prohibit or alter the Postal Service’s proposed service changes. As a result, the Postal Service is not required to implement or take any further action on the Commission’s opinion.

On October 4, 2024, the Postal Service filed a request in Docket No. N2024-1 for an advisory opinion from the Commission proposing significant operational changes to its processing and transportation network.⁵⁵ Specifically, the Postal Service planned to (1) create a nationwide network of regional

⁴⁶ Docket Nos. MC2025-1483 and RM2025-11, Order Denying in Part United States Postal Service Proposal to Modify the Product Descriptions of First-Class Mail, USPS Marketing Mail, and Periodicals and Denying in Part the Petition of the United States Postal Service to Change Analytical Principles, October 10, 2025 (Order No. 9260).

⁴⁷ *Id.* at 2-3.

⁴⁸ *Id.* at 30.

⁴⁹ *Id.* at 32.

⁵⁰ *Id.* at 35-36.

⁵¹ 39 U.S.C. § 3661(b).

⁵² 39 C.F.R. § 3020.112.

⁵³ 39 U.S.C. § 3661(c).

⁵⁴ See Docket No. N2014-1, Advisory Opinion on Service Changes Associated with Standard Mail Load Leveling, March 26, 2014, at 7.

⁵⁵ Docket No. N2024-1, United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services, October 4, 2024 (Docket No. N2024-1, Request).

processing and distribution centers (RPDCs) and local processing centers (LPCs) and (2) implement the Regional Transportation Optimization initiative nationwide, which would delay processing some outgoing mail volume.⁵⁶ It also proposed transitioning from service standards based on 3-Digit ZIP Code origin/destination pairs to service standards based on 5-Digit ZIP Code origin/destination pairs.⁵⁷ The Postal Service proposed excluding Sundays and holidays as transit days for measurement purposes for mail and packages entered into the Postal Service’s network on Saturday or the day before a holiday.⁵⁸ An on-the-record hearing to consider the proposed changes occurred on December 4, 2024.⁵⁹

After considering the Postal Service’s request and the comments received from the public, the Commission issued an advisory opinion on January 31, 2025.⁶⁰ It concluded that overall, the Postal Service did not adequately prepare to implement the proposed changes and consider the complex trade-offs.⁶¹ It found that:

- The proposed changes rely on defective modeling and do not appear ready for implementation.
- The Postal Service presents “overly optimistic and unsubstantiated financial projections” to estimate cost savings that are unlikely to improve its financial health.
- The proposed changes fail to fully consider the significant negative impacts on rural communities throughout the United States.⁶²

The Commission urged the Postal Service to reconsider whether the speculative gains from this proposal outweigh the certain downgrade in service for a significant portion of the nation.⁶³

Also, the Commission questioned whether the internal Service Performance Measurement (SPM) system would be able to accurately, reliably, and representatively measure service performance at the 5-Digit level.⁶⁴ See **SERVICE PERFORMANCE MEASUREMENT PLAN** below. It observed that the Sunday/holiday exclusion would effectively lengthen service standards for affected mailpieces while simultaneously masking that fact within reported service performance results.⁶⁵

56 Docket No. N2024-1, Request at 14-23.

57 *Id.* at 28, 40.

58 *Id.* at 40.

59 See Docket No. N2024-1, Order on Motions, Noticing Hearing, Scheduling Witnesses, Excusing Witnesses, Setting Deadlines, Setting Hearing Procedures, and Adjusting Procedural Schedule, November 27, 2024 (Order No. 8167). A video of the hearing is available at <https://www.youtube.com/watch?v=FxtnvXVOaQQ>.

60 Docket No. N2024-1, Advisory Opinion on the Operational and Service Standard Changes Related to the Delivering for America Plan, January 31, 2025 (Docket No. N2024-1, Advisory Opinion).

61 Docket No. N2024-1, Advisory Opinion at 91.

62 *Id.* at 2, 91-92.

63 *Id.* at 10.

64 *Id.* at 233-42.

65 *Id.*

Rulemakings Amending Commission Regulations

The Commission summarizes proposed rules on its website, WWW.PRC.GOV; select [FILING INFORMATION](#) then [RULE SUMMARY](#). FY 2025 rulemakings are as follows:

Review of Market Dominant Ratemaking System

In FY 2024, the Commission issued an advanced notice of proposed rulemaking (ANPR) to initiate a proceeding to evaluate the Market Dominant ratemaking system.⁶⁶ After considering comments received from the public, the Commission issued Order No. 8891 concluding that the ratemaking system does not achieve the objectives in 39 U.S.C. § 3622(b), taking into account the factors in 39 U.S.C. § 3622(c).⁶⁷ Concurrently, the Commission established procedures for modifying the Market Dominant ratemaking system or adopting an alternative system.⁶⁸ The Commission is considering potential changes using a phased approach.⁶⁹

On June 9, 2025, the Commission issued a Notice of Proposed Rulemaking proposing two changes:

- Limit Market Dominant rate adjustments above the *de minimis* threshold to no more than once per fiscal year from 2026 to 2030.
- Restrict the Postal Service from setting workshare discounts farther away from their avoided costs.⁷⁰

On January 13, 2026, the Commission issued an order finalizing the proposed rules.⁷¹ It concurrently issued a procedural order providing an opportunity for interested persons to file petitions requesting the Commission to consider specific proposals for modifying the Market Dominant ratemaking system or adopting an alternative system.⁷² This rulemaking is currently pending.

Service Performance Measurement (SPM) Plan

The Postal Service uses an internal measurement system known as internal SPM to generate data to report service performance results for products within First-Class Mail, Periodicals, USPS Marketing Mail, and Package Services.⁷³ The contours of SPM are embodied in a document called the “SPM Plan,” and the Postal Service must file a notice with the Commission describing proposed changes to the SPM Plan 30 days before the planned implementation date.⁷⁴ In FY 2024, the Commission established

⁶⁶ Docket Nos. RM2024-4, RM2022-5, RM2022-6, and RM2021-2, Advance Notice of Proposed Rulemaking on the Statutory Review of the System for Regulating Rates and Classes for Market Dominant Products, April 5, 2024 (Order No. 7032). This ANPR was described in the FY 2024 Annual Report at 25.

⁶⁷ Docket Nos. RM2024-4, RM2022-5, RM2022-6, and RM2021-2, Order Presenting Findings on the Statutory Review of the System for Regulating Rates and Classes for Market Dominant Products (Phase 1 Completion), June 9, 2025 (Order No. 8891).

⁶⁸ Docket Nos. RM2024-4, RM2022-5, RM2022-6, and RM2021-2, Procedural Order on Phased Rulemaking, June 9, 2025 (Order No. 8892).

⁶⁹ Order No. 8892 at 3.

⁷⁰ Docket Nos. RM2024-4, RM2022-5, RM2022-6, RM2021-2, Notice of Proposed Rulemaking on the Statutory Review of the System for Regulating Rates and Classes for Market Dominant Products (Phase 2A Initiation), June 9, 2025, at 41 (Order No. 8893).

⁷¹ Docket Nos. RM2024-4, RM2022-5, RM2022-6, RM2021-2, Order Adopting Rules Limiting Frequency of Rate Increases Above the De Minimis Threshold and Adding Criteria for Workshare Discounts for Market Dominant Products (Phase 2A Completion), January 13, 2026 (Order No. 9426).

⁷² Docket Nos. RM2024-4, RM2022-5, RM2022-6, RM2021-2, Procedural Order on 39 CFR 3010.201(B) Proposals, January 13, 2026 (Order No. 9427); *see* Docket Nos. RM2024-4, RM2022-5, RM2022-6, RM2021-2, Notice of Errata, January 13, 2026.

⁷³ Internal SPM is described in the FY 2023 ACD and Order No. 7247. FY 2023 ACD at 114-16; Docket No. RM2024-9, Advance Notice of Proposed Rulemaking and Order Initiating Proceeding to Evaluate Internal Service Performance Measurement System, July 2, 2024, at 7-20 (Order No. 7247).

⁷⁴ Order No. 7247 at 11; 39 C.F.R. § 3055.5.

Docket No. RM2024-9 to assess SPM's ongoing accuracy, reliability, and representativeness.⁷⁵

In FY 2025, the Commission considered several Postal Service proposals to revise the SPM Plan and related design documents. First, the Postal Service filed SPM Plan revisions intended to implement the planned network and operational changes described in Docket No. N2024-1.⁷⁶ See **NATURE OF SERVICE** above. The Commission found that the proposed revisions did not sufficiently address the Commission's concerns raised in its advisory opinion about the exclusion of Sundays and Federal holidays from service performance measurement and about SPM's ability to accurately, reliably, and representatively measure service performance at the 5-Digit ZIP Code level.⁷⁷ The Commission implemented interim reporting requirements to allow the Commission to evaluate how the proposed revisions would affect SPM's accuracy, reliability, and representativeness.⁷⁸

Second, on May 30, 2025, the Postal Service filed another notice proposing SPM Plan revisions that would allow it to collect and report service performance data at the 5-Digit ZIP Code level.⁷⁹ The Commission evaluated the proposed revisions; identified several serious issues that could potentially threaten SPM's ability to produce accurate, reliable, and representative results at the 5-Digit ZIP Code level; and implemented further interim reporting requirements to verify that SPM was capable of producing these results.⁸⁰

Third, on September 9, 2025, the Postal Service filed a notice proposing SPM Plan revisions that would "exclude from measurement certain mailpieces affected by extraordinary events that materially disrupt the timely collection, processing, transportation, and/or delivery of mail."⁸¹ After evaluating the notice and considering comments received, the Commission issued an order dismissing the notice without prejudice.⁸² It found that the proposed SPM Plan revisions were "vague and ambiguous as to the exclusion's scope and application, raise significant questions regarding their consistency with applicable statutory provisions, and are unsupported by any evaluation or analysis of their potential effect on SPM's accuracy, reliability, and representativeness."⁸³ As a result, the Commission could not meaningfully assess the potential impact on the Postal Service's service performance results.⁸⁴ The Commission instructed the Postal Service to provide more detailed information if it chose to refile and outlined specific criteria and data requirements.⁸⁵

⁷⁵ See generally Order No. 7247.

⁷⁶ Docket No. N2024-1, Request at 40; Docket No. N2024-1, Direct Testimony of Arslan Saleem on Behalf of the United States Postal Service, October 4, 2024; Docket No. PI2025-2, United States Postal Service Notice of Filing Changes to Service Performance Measurement Plan Document, February 28, 2025.

⁷⁷ Docket Nos. RM2024-9 and PI2025-2, Interim Order Regarding Proposed Service Performance Measurement Changes, March 28, 2025, at 15-37 (Order No. 8761).

⁷⁸ Order No. 8761 at 22-23, 37-39.

⁷⁹ Docket No. PI2025-5, United States Postal Service Notice of Filing Changes to Service Performance Measurement Plan Document, May 30, 2025.

⁸⁰ Docket Nos. RM2024-9, PI2025-2, and PI2025-5, Interim Order Regarding Further Proceedings on Planned Service Performance Measurement Changes, June 27, 2025, at 14-21, 23-24 (Order No. 8942).

⁸¹ Docket No. PI2025-6, United States Postal Service Notice of Filing Changes to Service Performance Measurement Plan Document, September 9, 2025, at 5 (Docket No. PI2025-6, Notice). These include natural disasters and unexpected internal hazards, such as a mercury spill at a processing facility. Docket No. PI2025-6, Notice at 2.

⁸² Docket Nos. RM2024-9, PI2025-2, PI2025-5, and PI2025-6, Order Dismissing Without Prejudice Notice of Planned Service Performance Measurement Changes, October 8, 2025 (Order No. 9241).

⁸³ Order No. 9241 at 26-27.

⁸⁴ *Id.* at 3.

⁸⁵ *Id.* at 27-29.

Annual Reports

The PAEA requires the Postal Service to prepare and submit an *Annual Compliance Report* (ACR) to the Commission within 90 days after the fiscal year ends on September 30.⁸⁶ The ACR contains data on costs, revenues, rates, and quality of service for Market Dominant and Competitive products.⁸⁷ It also includes information about mail volumes, service performance, customer satisfaction, workshare discounts, market tests, and nonpostal services.⁸⁸

The Commission then analyzes information filed in the ACR and issues three major reports:

- The *Annual Compliance Determination* (ACD) assesses the Postal Service's compliance with statutory pricing and service requirements.
- The *Financial Analysis Report* analyzes the Postal Service's overall financial position.
- The *Analysis of Postal Service Performance Report and Performance Plan* evaluates whether the Postal Service met its performance goals and makes related recommendations.

In FY 2025, each report was issued in Docket No. ACR2024 and is described below. These reports are available at WWW.PRC.GOV by selecting **REPORTS AND DATA** then **PRC REPORTS**.

ACD highlights summarizing key findings in charts are also available on the Commission's website by selecting **REPORTS AND DATA** then **ANNUAL COMPLIANCE DETERMINATION HIGHLIGHTS**.

Annual Compliance Determination

The ACD is an important tool for enhancing transparency and accountability by determining whether the Postal Service complied with statutory pricing and service requirements in a given fiscal year. After receiving the ACR, the Commission has 90 days to solicit public comment and determine whether (1) any rates or fees in effect during the fiscal year did not comply with applicable laws and (2) the Postal Service met its service standards in effect during the fiscal year.⁸⁹ The Commission publishes its analysis of the ACR in the ACD. The Commission issued the FY 2024 ACD on March 28, 2025, and made several principal findings and directives, which are shown in Figure III-6 below.

⁸⁶ 39 U.S.C. § 3652(a).

⁸⁷ 39 U.S.C. § 3652(a)(1).

⁸⁸ 39 U.S.C. § 3652(a)(2), (b), (c); 39 U.S.C. § 3705(a)(1).

⁸⁹ 39 U.S.C. § 3653(a), (b). The Commission must also evaluate the Postal Service's activities related to nonpostal services for legal compliance. 39 U.S.C. § 3705(e)(2).

Figure III-6
FY 2024 ACD Principal Findings and Corresponding Directives

MARKET DOMINANT

RATE & FEE COMPLIANCE

Findings

- In FY 2024, all rates implemented and workshare discounts in effect complied with applicable rate authority provisions.

Directives

- The Postal Service must bring all current workshare discounts that do not comply with relevant regulations based on the new FY 2024 avoided costs into compliance in the next Market Dominant rate adjustment.

NON-COMPENSATORY CLASSES & PRODUCTS

Findings

- The Postal Service lost \$705.8 million in FY 2024 from non-compensatory classes and products.
- The Periodicals class was non-compensatory because revenue for both products in the Periodicals class (In-County and Outside County) did not cover attributable costs.
- Despite cost-reduction initiatives and maximizing the Postal Service's pricing authority, the costs of Periodicals products continue to remain high, and slight increases in unit revenue are not enough to bring these products into compliance.
- USPS Marketing Mail Flats and Alaska Bypass Service were non-compensatory products in classes that covered their costs.

Directives

- For USPS Marketing Mail Flats, the Postal Service must propose a rate increase that is at least 2 percentage points above the class average increase in any rate adjustment filing affecting USPS Marketing Mail.
- For Alaska Bypass Service, the Postal Service must increase prices by at least 2 percentage points above the class average increase in any rate adjustment filing affecting Package Services.

COMPETITIVE PRODUCTS

Findings

- Market Dominant products did not subsidize total revenues for Competitive products.
- Collectively, Competitive products satisfied the appropriate share requirement.
- Revenues for 10 Competitive products did not cover attributable costs as required by 39 U.S.C. § 3633(a)(2).

Directives

- The Postal Service must take corrective actions for the Competitive products that did not cover their attributable costs, such as negotiating higher prices for NSAs or terminating them if necessary to prevent future noncompliance.

Source: FY 2024 ACD at 1-2, 8, 18, 33, 36, 45.

Also, the Commission found that the Postal Service complied with applicable legal requirements with respect to Market Dominant and Competitive legacy nonpostal products and interagency agreements (IAAs).⁹⁰

90 FY 2024 ACD at 59, 62. IAAs are agreements with Federal, state, local, or tribal governments to provide property or nonpostal services. *Id.* at 58.

In the FY 2024 ACD, the Commission also evaluated whether any service standards effective during FY 2024 were not met.⁹¹ Service standards specify the amount of time within which a customer may ordinarily expect a particular mailpiece will be delivered.⁹² Service performance measures the speed and reliability of mail services. The Commission evaluated service performance for each Market Dominant product by comparing the percentage of mailpieces that achieved the stated service standard against the targets set by the Postal Service.⁹³ It found that during FY 2024:

- Most Market Dominant products/categories (19 out of 27) measured failed to meet their service performance targets.
- No category of First-Class Mail met its target.
- The Postal Service continues to fail to meet targets despite changes in service standards that have lengthened days-to-delivery for several products/categories over the past several years.⁹⁴

The Commission directed the Postal Service to implement plans in FY 2025 for improving service performance results to achieve the applicable on-time percent target level for all non-compliant products.⁹⁵ It also developed specific directives that are designed to provide increased transparency to the public about the Postal Service's ongoing efforts to restore service performance for those products in FY 2025, such as the reporting of specific information developed from its internal metrics.⁹⁶

Current service performance data are available via the Commission's website (WWW.PRC.GOV) by selecting **REPORTS AND DATA** then **USPS SERVICE PERFORMANCE DASHBOARD**.⁹⁷

Financial Analysis

The Commission issued its *Financial Analysis of the United States Postal Service Financial Results and 10-K Statement* for FY 2024 on May 8, 2025.⁹⁸ The report provided a comprehensive analysis of the Postal Service's financial performance primarily using information reported in its FY 2024 Form 10-K and its FY 2024 Integrated Financial Plan.⁹⁹ The Commission found that in FY 2024, the Postal Service recorded a net operating loss of \$1.8 billion, a \$0.4 billion improvement from FY 2023.¹⁰⁰ The net operating loss decreased because of a \$1.2 billion increase in operating revenue, partially offset by an increase of \$0.6 billion in operating expenses.¹⁰¹ Market Dominant product volume declined by 3.5 percent; operating revenue increased by 1.5 percent; and Market Dominant rates increased by approximately 15 percent between July 2023 and the end of FY 2024.¹⁰²

⁹¹ See 39 U.S.C. § 3653(b)(2).

⁹² Order No. 8761 at 4.

⁹³ FY 2024 ACD at 65.

⁹⁴ *Id.* at 63-64.

⁹⁵ *Id.* at 64.

⁹⁶ *Id.*

⁹⁷ The USPS Service Performance Dashboard is available at: [HTTPS://ABOUT.USPS.COM/WHAT/PERFORMANCE/SERVICE-PERFORMANCE/EXTERNAL-SERVICE-MEASUREMENT.HTM](https://ABOUT.USPS.COM/WHAT/PERFORMANCE/SERVICE-PERFORMANCE/EXTERNAL-SERVICE-MEASUREMENT.HTM)

⁹⁸ Docket No. ACR2024, Financial Analysis of United States Postal Service Financial Results and 10-K Statement, Fiscal Year 2024, May 8, 2025 (FY 2024 Financial Analysis).

⁹⁹ FY 2024 Financial Analysis at 1.

¹⁰⁰ *Id.* at 2.

¹⁰¹ *Id.*

¹⁰² *Id.*

When Non-Operating Expenses are included,¹⁰³ the Postal Service recorded a net loss of \$9.5 billion in FY 2024, which was \$3 billion more than in FY 2023.¹⁰⁴ The Postal Service has not had a profitable year in the last decade, and these continuing losses have negatively impacted the Postal Service's financial position, creating a substantial gap between the Postal Service's assets and liabilities.¹⁰⁵

The Commission also found that at the end of FY 2024:

- The Postal Service recorded total assets of \$45.6 billion and total liabilities of \$78.2 billion. Lacking sufficient assets to cover current liabilities adversely impacts the Postal Service's financial stability.
- Operating revenue was \$79.5 billion, which was \$1.2 billion more than FY 2023.
- Total expenses were \$81.8 billion.
- Personnel-related expenses accounted for 67.7 percent of the Postal Service's total expenses.¹⁰⁶

The Commission maintains a public dashboard providing a snapshot of the Postal Service's finances. It is available at WWW.PRC.GOV by selecting **REPORTS AND DATA** then **FINANCIAL REPORT DASHBOARD**.

Analysis of Performance Goals

Each year, the Commission must evaluate whether the Postal Service met the performance goals it establishes in its annual performance report and performance plan.¹⁰⁷ The Commission may also provide the Postal Service with recommendations related to protecting or promoting public policy objectives set out in Title 39.¹⁰⁸

The Commission issued a detailed analysis of the Postal Service's progress during FY 2024 toward its four performance goals: (1) High-Quality Service, (2) Excellent Customer Experience, (3) Safe Workplace and Engaged Workforce, and (4) Financial Health.¹⁰⁹ The Commission found that the Postal Service did not meet any of the goals in FY 2024.¹¹⁰ The Commission provided related observations and recommendations for each performance goal to help the Postal Service meet the performance goal and better assess its performance in future years.¹¹¹

¹⁰³ They include all non-cash workers' compensation costs, accruals to retirement accounts, and one-time adjustments.

¹⁰⁴ *Id.*

¹⁰⁵ *Id.* at 3.

¹⁰⁶ *Id.* at 3-5.

¹⁰⁷ 39 U.S.C. § 3653(d).

¹⁰⁸ *Id.*

¹⁰⁹ Docket No. ACR2024, *Analysis of the Postal Service's FY 2024 Annual Performance Report and FY 2025 Performance Plan*, July 23, 2025 (FY 2024 Analysis).

¹¹⁰ *Id.* at 4.

¹¹¹ *Id.* at 23-97.

Public Inquiries

The Commission initiates public inquiry dockets to provide a venue to explore issues of general interest. Several public inquiries are before the Commission related to Zone 10 rates, the classification of First-Class Package Service, and postal cost attribution regulations. These public inquiries were described in past Annual Reports.¹¹²

Proposals to Change Analytical Principles

When preparing the ACR and other reports, the PAEA requires the Postal Service to use accepted analytical principles.¹¹³ Analytical principles are economic, mathematical, or statistical theories, precepts, or assumptions.¹¹⁴ Accepted analytical principles are those the Commission applied in the most recent ACD, unless the Commission subsequently approved a different analytical principle in a Commission proceeding.¹¹⁵

To add or change an accepted analytical principle, any interested person, including the Postal Service or a Public Representative, may submit a proposal asking the Commission to initiate a proceeding to consider a proposed change.¹¹⁶ Proposals must be designed to improve the quality, accuracy, or completeness of data or data analysis in the Postal Service's annual reports submitted to the Commission.¹¹⁷

During FY 2025, the Commission considered 12 Postal Service proposals to change various accepted analytical principles. The Commission approved six proposals to:

- Update the weight groupings used to report USPS Ground Advantage mail processing and delivery costs to provide additional granularity for NSA cost reporting.¹¹⁸
- Develop shape-specific labor productivity data for non-Management Operating Data System (non-MODS) manual distribution activities using eFlash volumes and workhours derived from costs for the corresponding In-Office Cost System—based non-MODS cost pools.¹¹⁹
- Introduce an updated facility rental analysis used to distribute space provision costs to individual products in the ACR.¹²⁰
- Modify the Revenue, Pieces, and Weight reporting methodology for measuring the national

¹¹² See FY 2024 Annual Report at 33; FY 2023 Annual Report at 36-37.

¹¹³ 39 U.S.C. § 3652(a)(1); 39 C.F.R. § 3050.10.

¹¹⁴ 39 C.F.R. § 3050.1(c).

¹¹⁵ 39 C.F.R. § 3050.1(a).

¹¹⁶ 39 U.S.C. § 3652(e)(2); 39 C.F.R. § 3050.11(a). The Commission, acting on its own behalf, may also initiate a proceeding to change an accepted analytical principle. *Id.*

¹¹⁷ 39 C.F.R. §§ 3050.1(e), 3050.11(a).

¹¹⁸ Docket No. RM2025-1, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Five), November 14, 2024 (Order No. 7970).

¹¹⁹ Docket No. RM2025-4, Order Approving Analytical Principles Used in Periodic Reporting, February 21, 2025 (Order No. 8713).

¹²⁰ Docket No. RM2025-6, Order on Analytical Principles Used for Periodic Reports Concerning Updated Facility Rental Analysis, FY 2025, March 14, 2025 (Order No. 8737).

totals of non-contract mailpieces in domestic mail categories bearing PC Postage indicia from postage evidencing systems.¹²¹

- Update the methodology for calculating rural carrier attributable costs to account for the new rural carrier route evaluation system (with one modification).¹²²
- Change the methodology for calculating workshare discount passthrough percentages for dropshipped USPS Marketing Mail parcel-shaped pieces.¹²³

Also, the Commission approved proposals to change the Periodicals Outside-County mail processing model and revise certain benchmarks for workshare discounts related to First-Class Mail, USPS Marketing Mail, and Periodicals.¹²⁴ The Commission approved with changes the proposed MCS revisions to the product descriptions for First-Class Mail, USPS Marketing Mail, and Periodicals that are related to these proposals.¹²⁵

The Commission rejected two proposals to (1) modify the USPS Marketing Mail destination entry cost model to reflect new pricing structure for origin-entered USPS Marketing Mail,¹²⁶ and (2) change the methodology for developing, attributing, and distributing Cost Segment 2 costs related to supervisors and technical personnel.¹²⁷ The Commission also declined to approve the proposed MCS changes related to the USPS Marketing Mail destination entry cost model proposal.¹²⁸ See **ZONE-BASED RATES** above. At the end of FY 2025, four proposals were pending before the Commission that would:

- Implement changes in the Revenue, Pieces, and Weight reporting methodology in terms of sample design, size, and estimation procedures.¹²⁹
- Develop procedures for estimating the revenues and costs associated with IAAs.¹³⁰
- Modify the mail processing cost model for Parcel Select and Parcel Return Service.¹³¹
- Incorporate mail processing costs for Undeliverable-As-Addressed mail into the First-Class Mail and USPS Marketing Mail letter cost models.¹³²

¹²¹ Docket No. RM2025-10, Order on Analytical Principles Used for Periodic Reports Concerning Revenue, Pieces, and Weight Methodology, July 17, 2025 (Order No. 9025).

¹²² Docket No. RM2024-2, Order Approving the Postal Service's Proposed Changes in Response to Order No. 7049 with One Modification, November 7, 2024 (Order No. 7919).

¹²³ Docket No. RM2025-12, Order on Analytical Principles Used for Periodic Reports Concerning USPS Marketing Mail Workshare Discount Passthroughs, November 3, 2025 (Order No. 9326). Dropshipped mail refers to bulk mail that mailers deliver to a specified Postal Service location. The mailer, in turn, receives a discount for dropshipped mail.

¹²⁴ Order No. 9086 at 14-19.

¹²⁵ *Id.* at 22.

¹²⁶ Order No. 9260 at 36.

¹²⁷ Docket No. RM2024-1, Order on Analytical Principles Used in Periodic Reporting (Proposal Seven), December 19, 2025 (Order No. 9404).

¹²⁸ Order No. 9260 at 35-36.

¹²⁹ Docket No. RM2021-3, Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal One), March 11, 2021, PDF file "Petition.Prop.One.RM21.3.RPW.pdf," at 1.

¹³⁰ Docket No. RM2023-7, Order on Analytical Principles Used in Periodic Reporting (Proposal Two), Directing the Postal Service's Participation in Further Proceedings, and Providing Notice of Filing Attachment Under Seal, August 31, 2023, at 18 (Order No. 6659).

¹³¹ Docket No. RM2025-2, Petition of the United States Postal Service to Initiate a Proceeding to Change Analytical Principles and Notice of Filing Non-Public Materials, October 22, 2024, at 1.

¹³² Docket No. RM2025-13, Petition of the United States Postal Service to Initiate a Proceeding to Change Analytical Principles, September 30, 2025, at 1.

Other Proceedings

Complaints

The PAEA permits any interested person (including the Public Representative) to file a complaint with the Commission if they believe the Postal Service is not complying with certain requirements of Title 39.¹³³ Within 90 days after receiving a complaint, the Commission must issue an order that either (1) finds that the complaint raises at least one material issue of fact or law and begins proceedings on the complaint or (2) dismisses the complaint.¹³⁴ The Commission's rules governing complaints are codified in 39 C.F.R. part 3022.

In FY 2025, the Commission dismissed three complaints; two of them were referred to the rate or service inquiry process, which allows the Postal Service to resolve certain complaints informally.¹³⁵ There are several complaints pending before the Commission that involve (1) the Postal Service's treatment of mail items for the blind regarding international mailers¹³⁶ and (2) the Postal Service's classification of two buildings as dormitories rather than apartment communities for mail delivery purposes.¹³⁷

Court of Appeals Cases

A person adversely affected or aggrieved by a Commission final order or decision may appeal the order or decision to the United States Court of Appeals, District of Columbia Circuit (D.C. Circuit) within 30 days after it becomes final.¹³⁸ In FY 2025, the Postal Service appealed the Commission's order denying its request to remove BPM products from the Market Dominant product list.¹³⁹ *See CHANGES TO PRODUCT LISTS AND THE MAIL CLASSIFICATION SCHEDULE*, above. There were also two appeals involving contract language in Competitive NSAs and a complaint regarding door delivery of oversized packages to a customer.¹⁴⁰

¹³³ 39 U.S.C. § 3662(a). Specifically, a complaint may be filed if the complainant "believes the Postal Service is not operating in conformance with the requirements of the provisions of [39 U.S.C. §§] 101(d), 401(2), 403(c), 404a, or 601, or this chapter [36] (or regulations promulgated under any of those provisions)" *Id.*

¹³⁴ 39 U.S.C. § 3662(b); 39 C.F.R. § 3022.30(a).

¹³⁵ Docket No. C2025-3, Order Granting Motion and Dismissing Complaint with Prejudice, December 18, 2024 (Order No. 8370); Docket No. C2025-1, Order Granting Voluntary Dismissal and Closing Docket, February 26, 2025 (Order No. 8721); Docket No. C2024-22, Order Dismissing Complaint with Prejudice in Part and Dismissing Complaint Without Prejudice and Referring to Rate or Service Inquiry Process in Part, January 13, 2025 (Order No. 8595).

¹³⁶ Docket No. C2024-13, Order Partially Denying United States Postal Service's Motion to Dismiss and Notice of Limited Formal Proceedings, September 12, 2024 (Order No. 7507); Docket No. C2024-13, Presiding Officer's Intermediate Decision and Findings of Fact and Conclusions of Law, September 11, 2025 (POR No. 21).

¹³⁷ Docket No. C2025-7, Order Partially Denying United States Postal Service's Motion to Dismiss the February 5, 2025 Amended Complaint and Notice of Limited Formal Proceedings, May 1, 2025 (Order No. 8827); Docket No. C2024-21, Order Partially Denying United States Postal Service's Motion to Dismiss and Notice of Limited Formal Proceedings, November 4, 2024 (Order No. 7884); *see* Docket No. C2024-21, Presiding Officer's Ruling Updating Procedural Schedule, April 2, 2025 (POR No. 5).

¹³⁸ 39 U.S.C. § 3663.

¹³⁹ Petition for Review, *U.S. Postal Serv. v. Postal Regul. Comm'n*, No. 25-1161 (D.C. Cir. filed July 25, 2025).

¹⁴⁰ Petition for Review, *U.S. Postal Serv. v. Postal Regul. Comm'n*, No. 25-1120 (D.C. Cir. filed May 2, 2025); Petition for Review, *Edwards v. Postal Regul. Comm'n*, No. 24-1370 (D.C. Cir. filed Nov. 27, 2024).

International Postal Policy

The Secretary of State is responsible for formulating, coordinating, and overseeing international postal policy, as well as concluding postal treaties such as those involving the Universal Postal Union (UPU).¹⁴¹ Headquartered in Berne, Switzerland, the UPU is an international treaty organization responsible for facilitating high-quality universal mail service at affordable rates. Although the U.S. Department of State has primary authority over international postal policy, it must request the Commission's views on whether any treaty, convention, or amendment that establishes a rate or classification for a Market Dominant product is consistent with the Market Dominant rate system.¹⁴² The U.S. Department of State must ensure that each treaty, convention, or amendment concluded is consistent with the Commission's views unless there is a foreign policy or national security concern.¹⁴³

Pursuant to 39 U.S.C. § 407(c)(1), the U.S. Department of State requested the Commission to provide its views on the “consistency of proposals to amend rates or classifications for [M]arket [D]ominant products” that would be considered at the 28th UPU Congress in September 2025 “with the standards and criteria established by the Commission under 39 U.S.C. [§] 3622.”¹⁴⁴ Also pursuant to 39 U.S.C. § 407(c)(1), the Commission established Docket No. IM2025-1 for the purpose of “developing its views on whether certain proposals for the upcoming UPU Congress are consistent with the standards and criteria for modern rate regulation established by the Commission under 39 U.S.C. [§] 3622,” set a deadline for public comment, and appointed a Public Representative.¹⁴⁵ The Commission subsequently posted proposals and a background document for public comment,¹⁴⁶ which the Commission subsequently received.¹⁴⁷

On July 29, 2025, the Commission provided its views to the Secretary of State on three proposals and one proposal of a general nature that would establish rates or classifications for Market Dominant letters and flats in the Market Dominant Inbound Letter Post product.¹⁴⁸ The Commission found that “applying relevant statutory objectives in conjunction with each other, taking into account relevant statutory factors, on balance, the benefits that [would] be achieved from these proposals [would] outweigh any neutral or slightly negative effects.”¹⁴⁹

In FY 2025, the Commission served in an advisory capacity to the U.S. Department of State in the negotiation and formulation of U.S. Government positions for several other proposals considered at the September 2025 UPU Congress. These positions mainly related to the successful achievement

141 39 U.S.C. § 407(b)(1).

142 *Id.* § 407(c)(1).

143 *Id.* § 407(c)(2).

144 Docket No. IM2025-1, Notice of Filing Correspondence, April 4, 2025, Attachment (Letter from A. McCoy Pitt, Senior Bureau Official, U.S. Department of State, Bureau of International Organization Affairs, to Michael Kubayanda, Chairman, Postal Regulatory Commission, March 31, 2025).

145 Docket No. IM2025-1, Notice and Order Establishing Section 407 Proceeding, April 4, 2025, at 2, 4.

146 Docket No. IM2025-1, Notice of Posting of Proposal, May 5, 2025; Docket No. IM2025-1, Noticing of Posting of Proposals and Document, May 13, 2025.

147 Docket No. IM2025-1, Comments of the Public Representative, June 6, 2025; Docket No. IM2025-1, Comments of the United States Postal Service, June 6, 2025.

148 Docket No. IM2025-1, Notice of Posting of Views, July 29, 2025, Attachment at 1.

149 *Id.* at 2.

of U.S. goals to ensure the furtherance of self-declared rates for international products based on domestic rates in line with the administration's achievement of self-declared rates for small packets at the UPU Extraordinary Congress in 2019. The Commission also supported U.S. goals to modernize international postal products and to continue the opening of the UPU to the wider postal sector, along with the achievement of broader U.S. international postal policies in 39 U.S.C. § 407(a).

The Commission participated in the Federal Advisory Committee on International Postal and Delivery Services chaired by the U.S. Department of State. The Commission also represented the U.S. Government in the Postal Union of the Americas, Spain, and Portugal Committee on Postal Regulation, which promotes regulatory frameworks in the postal sector of the Americas region that ensure efficient, quality services in fulfillment of a Universal Service Obligation, as well as an International Postal Regulatory Workshop of European postal regulators.

Chapter IV. Universal Service Obligation and Postal Monopoly

Background

In this chapter, the Commission provides its annual estimates of the cost of the Universal Service Obligation (USO) and the value of the postal monopoly. In its *Report on Universal Postal Service and the Postal Monopoly*, the Commission stated that the overarching USO of the Postal Service is set forth in 39 U.S.C. § 101(a), which states that the Postal Service must “provide postal services to bind the Nation together through the personal, educational, literary, and business correspondence of the people. It shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities.” The USO has seven principal attributes: (1) geographic scope, (2) product range, (3) access, (4) delivery, (5) pricing, (6) service quality, and (7) an enforcement mechanism.¹⁵⁰



The postal monopoly is the Postal Service’s exclusive right to carry and deliver certain types of mail and deposit mail into mailboxes.¹⁵¹ Unlike the cost of the USO (USO Cost), the Commission is not required to annually estimate the value of the postal monopoly. In this chapter, however, the Commission provides estimates for both the USO Cost and the value of the postal monopoly to present a balanced perspective.

In 2008, the Commission estimated the USO Cost and the value of the postal monopoly in the USO Report. The Commission updates these estimates each year in the Annual Report. Beginning in FY 2018, the net cost of the Postal Inspection Service was included in the estimate of the USO Cost. In addition, in FY 2020 and FY 2021, the Commission initiated public inquiry proceedings to consider potential changes to the Commission’s methodology for estimating the USO Cost and the postal monopoly value.¹⁵²

¹⁵⁰ Postal Regulatory Commission, *Report on Universal Postal Service and the Postal Monopoly*, December 19, 2008, at 18-21 (USO Report).

¹⁵¹ USO Report at 10 n.1; see Chapter IV - Value of the Postal Monopoly section below.

¹⁵² These public inquiry proceedings were described in FY 2023 Annual Report at 37-38. The Commission modified the letter and mailbox monopolies (postal monopoly) estimation methodology to account for the Postal Service’s recent data changes. Docket No. PI2020-1, Order Describing Updated FY 2020 and FY 2021 Estimation Methodology, Directing Certain Postal Service Data Reporting, and Providing Notice of Filing Library Reference PRC-LR-PI2020-1-NP2, August 31, 2023, at 51 (Order No. 6658). Additionally, the Commission notified the public that it would continue proceedings in Docket No. PI2020-1 to consider (among other things) the use of data generated by the Rural Route Evaluated Compensation System (RRECS) in the estimation methodology. See *id.* at 2-3. In May 2023, the Postal Service replaced the prior route evaluation system to determine each route’s evaluated time with RRECS, which now serves as the basis for determining compensation for rural carriers. See Docket No. RM2024-2, Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Eight), November 21, 2023; Docket No. RM2024-2, Order Approving the Postal Service’s Proposed Changes in Response to Order No. 7049 with One Modification, November 7, 2024 (Order No. 7919).

Estimated USO Cost

The PAEA requires the Commission to estimate the costs incurred by the Postal Service when providing three types of public services or activities:¹⁵³

- Postal services provided in areas of the nation the Postal Service would not otherwise serve
- Free or reduced rates for postal services as required by Title 39
- Other public services or activities the Postal Service would not otherwise provide but for the requirements of law

The USO Cost is the total amount of costs incurred by the Postal Service in providing these public services or activities. In this chapter, the Commission provides estimates of the costs incurred by the Postal Service in providing the public services or activities required under 39 U.S.C. § 3651(b)(1), describes relevant statutory requirements, and explains the methodologies used to estimate these costs.¹⁵⁴ Figure IV-1 illustrates the components of estimated USO costs for FY 2024.¹⁵⁵

Figure IV-1
Universal Service Obligation Estimated Cost (FY 2024)

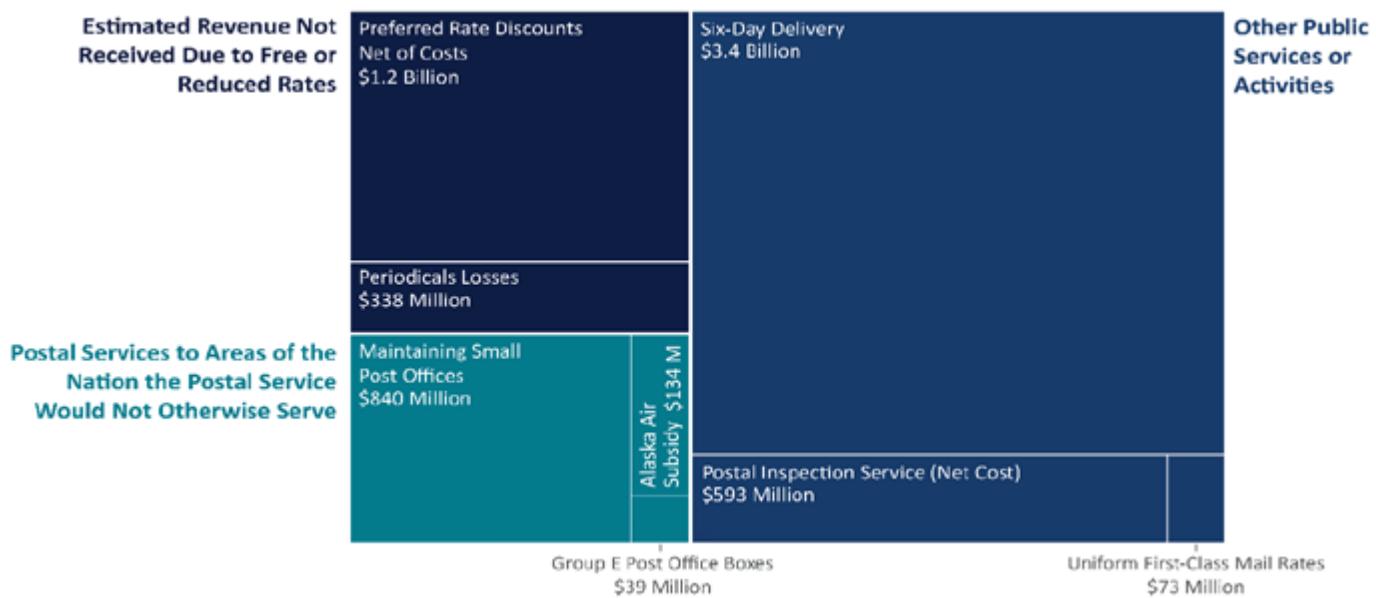


Table IV-1 and Figure IV-2 illustrate the estimated USO Cost for the last 5 fiscal years, FY 2020 through FY 2024. Components of the USO are discussed individually below.

¹⁵³ 39 U.S.C. § 3651(b)(1).

¹⁵⁴ See 39 U.S.C. § 3651(b)(2).

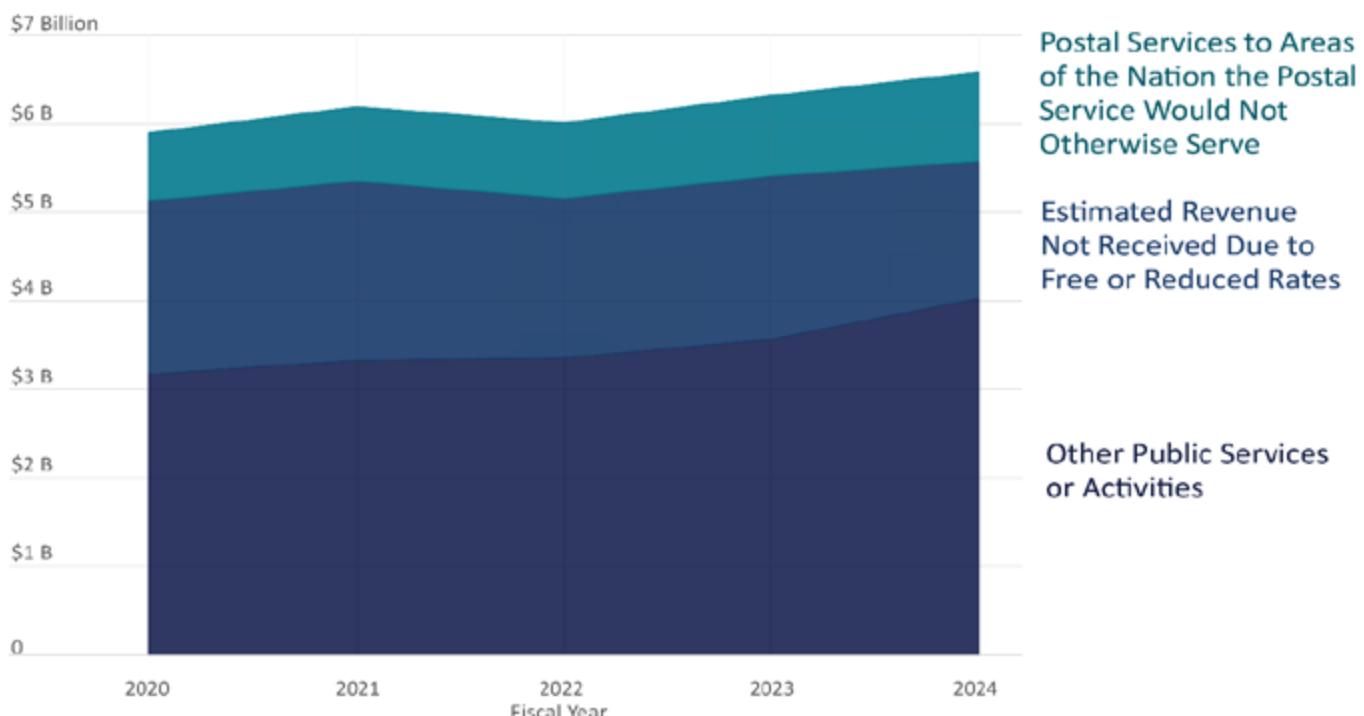
¹⁵⁵ At the time the FY 2025 Annual Report was prepared, the most currently available complete data were from FY 2024.

Table IV-1
Estimated USO Cost (\$ Millions)

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020
Postal Services to Areas of the Nation the Postal Service Would Not Otherwise Serve	1,013	906	853	826	765
Estimated Revenue Not Received Due to Free or Reduced Rates	1,555	1,845	1,797	2,034	1,964
Other Public Services or Activities	4,017	3,561	3,353	3,323	3,167
TOTAL	\$6,586	\$6,312	\$6,003	\$6,184	\$5,896

Note: The sum of columns may not equal total due to rounding.

Figure IV-2
Estimated Costs of the Universal Service Obligation (FY 2020-FY 2024)



Postal Services to Areas of the Nation the Postal Service Would Not Otherwise Serve

The Commission must estimate the costs incurred by the Postal Service in providing:

postal services to areas of the Nation where, in the judgment of the Postal Regulatory Commission, the Postal Service either would not provide services at all or would not provide such services in accordance with the requirements of [Title 39] if the Postal Service were not required to provide prompt, reliable, and efficient services to patrons in all areas and all communities, including as required under the first sentence of [39 U.S.C.] section 101(b)[.]¹⁵⁶

The Commission determines these costs by combining the estimated costs of maintaining small Post Offices, the Alaska Air Subsidy, and Group E Post Office (PO) Boxes. Table IV-2 compares the costs of each from FY 2020 through FY 2024.

As shown in Table IV-2, the estimated total cost of providing postal services to areas of the nation the Postal Service would not otherwise serve increased each year between FY 2020 and FY 2024. This increase is mainly due to the annual increase in clerk costs for maintaining small Post Offices.

Table IV-2
Estimated Costs of Providing Postal Services to
Areas of the Nation the Postal Service Would Not Otherwise Serve (\$ Millions)

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020
Maintaining Small Post Offices	840	744	700	663	610
Alaska Air Subsidy	134	141	133	142	136
Group E Post Office Boxes	39	22	20	21	20
TOTAL	\$1,013	\$906	\$853	\$826	\$765

Note: The sum of columns may not equal total due to rounding.

MAINTAINING SMALL POST OFFICES

The Postal Service maintains small Post Offices, which are generally located in rural or remote areas, as part of its duty “to establish and maintain postal facilities of such character and in such locations, that postal patrons throughout the Nation will, consistent with reasonable economies of

¹⁵⁶ 39 U.S.C. § 3651(b)(1)(A). 39 U.S.C. § 101(b) requires the Postal Service to “provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining.” 39 U.S.C. § 101(b).

postal operations, have ready access to essential postal services.”¹⁵⁷ The Postal Service uses Cost Ascertainment Group (CAG) classifications A to L to categorize Post Offices based on the revenue generated.¹⁵⁸ Small Post Offices are those that fall within CAG K and L classifications.¹⁵⁹

The Commission determines the costs of maintaining small Post Offices by estimating the amount the Postal Service would save if rural carriers provided the same services as those provided at small Post Offices, as well as the amount of revenue lost from existing CAG K and L PO Boxes. The Commission uses the Rural Route Evaluated Compensation System (RRECS) to estimate the cost of rural carriers providing retail services and for new delivery service to those who would no longer have a CAG K and L PO Box.¹⁶⁰

Table IV-2 lists the estimated costs of maintaining small Post Offices from FY 2020 through FY 2024. The estimated costs of maintaining small Post Offices incorporate the main categories of employees who may perform functions that were previously performed primarily by Postmasters.¹⁶¹

Table IV-3 disaggregates the costs of maintaining small Post Offices by component and illustrates the recent large shifts among these components. Year-to-year increases for maintaining small Post Offices are due primarily to increased clerks’ costs. In FY 2024, clerks’ costs at small Post Offices increased by \$95.9 million.¹⁶²

¹⁵⁷ 39 U.S.C. § 403(b)(3).

¹⁵⁸ Docket No. RM2015-19, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Ten), November 24, 2015, at 1 n.2 (Order No. 2837).
¹⁵⁹ See USO Report, Appendix F, section 3 (Robert H. Cohen and Charles McBride, *Estimates of the Current Costs of the USO in the U.S.*, at 26).

¹⁶⁰ The RRECS classifies remunerable activities of rural carriers as either Post Office or street activities. However, some Post Office activities can occur on the street. For example, parcel acceptance on the street is considered a Post Office activity because it can substitute for a customer sending a parcel at a Post Office window. See Docket No. ACR2024, Library Reference USPS-FY24-40, December 30, 2024, ZIP file “USPS-FY24-40.Files.zip,” PDF file “USPS-FY24-40 Preface.pdf,” at 1, 7-9; Docket No. PI2021-1, Responses of the United States Postal Service to Chairman’s Information Request No. 6 and Application for Non-Public Treatment (USPS-PI2020-1-NP6), May 7, 2025, questions 4, 7-10, provided under seal (Docket No. PI2021-1, Response to CHIR No. 6).

¹⁶¹ See Postal Regulatory Commission, *Annual Report to the President and Congress*, Fiscal Year 2016, January 12, 2017, at 42.

¹⁶² Beginning in the FY 2021 Annual Report, the clerks’ and Postmasters’ cost estimates increased due to the use of National Consolidated Trial Balance data, and the addition of piggyback costs to clerks. Rural carrier delivery services and PO Box revenues forgone also increased, due to updating of the number of PO Boxes. Also, rural carriers providing retail services costs decreased, due to a reduction in the estimated number of retail visits. See FY 2024 Annual Report at 43; Docket No. ACR2024, Library Reference USPS-FY24-24, December 30, 2024, PDF file “USPS-FY24-24.Preface.pdf,” at 1; FY 2024 Annual Report at 43 n.151; Docket No. PI2021-1, Response to CHIR No. 6, question 6.

Table IV-3
Estimated Cost Savings from Closing CAG K and L Post Offices
Derivation of Updated Costs of Maintaining Small Post Offices (\$ Millions)

Select CAG K and L Post Offices Annual Operating Costs	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020
CAG K and L Postmasters	155	111	100	83	73
Postmaster Relief/Leave Replacements	23	22	22	21	20
Clerks	853	757	700	674	629
Total Potential Operating Costs Saved (If CAG K and L Post Offices Closed)	\$1,031	\$890	\$822	\$778	\$722
Cost Savings Adjustment	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020
Rural Carrier Now Provides Retail Services Cost	28	13	11	12	13
Rural Carrier Now Provides Delivery Service Cost	47	66	55	55	52
Post Office Boxes Revenue Forgone	117	67	57	49	47
Total FY Cost Savings Adjustment	\$191	\$146	\$122	\$116	\$112
Cost of Maintaining Small Post Offices (Potential Operating Costs Saved Less Cost Savings Adjustment)	\$840	\$744	\$700	\$663	\$610

Note: The sum of individual row components may not equal totals due to rounding. Postmasters' and clerks' costs include piggyback costs for overhead and other personnel and non-personnel-related costs. The cost savings adjustments are used to reduce the potential annual operating costs saved, as there would presumably be an increase in rural carrier costs (for those customers who had a PO Box, now needing delivery service) and PO Box revenue forgone if the small Post Offices were to close.

Sources for this table are based on information filed in past *Annual Compliance Reports* (ACRs) and in Dockets Nos. PI2021-1 and PI2020-1. See FY 2024 Annual Report at 44; Docket No. PI2021-1, Response to CHIR No. 6, questions 4-10. The estimated FY 2024 rural carrier retail and delivery service costs are preliminary and estimated using the October 2023 RRECS data provided in Docket No. PI2020-1, Responses of the United States Postal Service to Questions 1-4 of Chairman's Information Request No. 12, November 18, 2024, questions 1, 2, Library Reference USPS-PI2020-1-NP11 (Docket No. PI2020-1, Response to CHIR No. 12).

ALASKA AIR SUBSIDY

Alaska Bypass Service allows mailers to ship goods such as food and other cargo on pallets directly to rural customers in Alaska. Commercial airline carriers deliver goods on pallets to hub airports in either Anchorage or Fairbanks. Smaller airline companies or independent pilots then break down these pallets and deliver the goods to remote communities accessible only by air, which are commonly called bush sites. The shipped goods "bypass" the Postal Service's network.

With Alaska Bypass Service, the Postal Service pays for the cost of air transportation from hub airports to bush sites. The difference between the cost of air transportation from hub airports to bush sites and the average cost of ground transportation, if it were available, is called the Alaska Air Subsidy. The Commission previously concluded that the Alaska Air Subsidy is part of the USO.¹⁶³ In FY

¹⁶³ USO Report at 139.

2024, there was a decrease of \$6.3 million over the FY 2023 Alaska Air Subsidy cost.

GROUP E POST OFFICE BOXES

Group E PO Boxes are provided free of charge to customers where the Postal Service does not offer carrier delivery to their physical address.¹⁶⁴ To meet its USO delivery obligation,¹⁶⁵ the Postal Service makes Group E PO Boxes available “for the purpose of resolving potential discrimination issues arising from instances in which the Postal Service chooses to provide, or not to provide, customers with a carrier delivery option.”¹⁶⁶ In FY 2011, the Commission approved treating the cost of providing Group E PO Boxes as an institutional cost to more equitably distribute the USO Cost. The Commission also concluded that this treatment was analogous to, and consistent with, the treatment of the Alaska Air Subsidy.¹⁶⁷ Consequently, the Commission included the cost of Group E PO Boxes, which are primarily facility-related, in estimating the USO Cost. In FY 2024 servicing Group E PO Boxes cost approximately \$38.6 million. Beginning in FY 2020, the Group E PO Boxes cost was impacted by a new Postal Service facility analysis that decreased measured PO Box space costs.¹⁶⁸

Free or Reduced Rates

The Commission must estimate the costs incurred by the Postal Service in providing “free or reduced rates for postal services as required by [Title 39].”¹⁶⁹ The Commission estimates these costs by combining preferred rate discounts net of costs and the negative contribution of Periodicals (Periodicals Losses). Table IV-4 shows the estimated revenue not received as a result of preferred rate discounts and Periodicals losses between FY 2020 and FY 2024.

Table IV-4
Estimated Revenue Not Received Due to Free or Reduced Rates (\$ Millions)

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020
Preferred Rate Discounts Net of Costs ^a	1,217	1,231	1,185	1,207	1,189
Periodicals Losses	338	614	612	828	775
TOTAL	\$1,555	\$1,845	\$1,797	\$2,034	\$1,964

Note: The sum of columns may not equal total due to rounding.

^a The Preferred Rate Discounts Net of Costs figures include In-County Periodicals. At the time of the USO Report, In-County Periodicals had little impact on the results of that analysis and were not included. See USO Report, Appendix F, section 3 (Robert H. Cohen and Charles McBride, *Estimates of the Current Costs of the USO in the U.S.*, at 18-19 n.20).

¹⁶⁴ The former Postal Rate Commission found it equitable to offer one PO Box at no charge to any customer whom the Postal Service determined ineligible for carrier delivery. Docket No. MC96-3, Opinion and Recommended Decision, April 2, 1997, at 62.

¹⁶⁵ See USO Report at 196.

¹⁶⁶ Docket No. RM2011-9, Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytical Principles (Proposal One), April 6, 2011, at 1.

¹⁶⁷ Docket No. RM2011-9, Order Concerning Analytical Principles Used in Periodic Reporting (Proposal One), June 9, 2011, at 4 (Order No. 744).

¹⁶⁸ See Docket No. RM2020-1, Order on Analytical Principles Used in Periodic Reporting (Proposal Nine), August 17, 2020 (Order No. 5637), Appendix B at 4; Docket No. RM2020-1, Responses of the United States Postal Service to Questions 1-16 of Chairman’s Information Request No. 3, June 10, 2020, questions 7.c.-d., 9.b.; Docket No. ACR2020, Library Reference USPS-FY20-8, December 29, 2020, PDF file “USPS-FY20-8.Preface.pdf,” at 1.

¹⁶⁹ 39 U.S.C. § 3651(b)(1)(B). The Postal Service provides free postage for blind and disabled persons and for overseas voting. 39 U.S.C. §§ 3403-3406. The Postal Service receives appropriated funds reimbursing it for providing free postage. 39 U.S.C. § 2401(c). For this reason, the cost of providing free postage is not included in the USO Cost.

PREFERRED RATE DISCOUNTS NET OF COSTS

39 U.S.C. § 3626 requires the Postal Service to provide reduced rates for preferred rate categories in USPS Marketing Mail, Periodicals, and Library Mail.¹⁷⁰ The Commission determines estimated revenue not received by quantifying the difference in revenue between mail that is statutorily required to receive a discount and the revenue the Postal Service would have received if those mailpieces were not discounted. This increase in revenue is adjusted for potential decreases in costs. If not discounted, rates for these mailpieces would be higher, resulting in a loss of volume and, consequently, lower costs. In FY 2024, preferred rate discounts net of costs were \$1.2 billion.

PERIODICALS LOSSES

Periodicals losses are the annual amount by which Periodicals' attributable cost exceeds revenue.¹⁷¹ The price cap on Market Dominant products does not allow the Postal Service to fully recover Periodicals losses through rate increases.¹⁷² It is assumed that, if not for the price cap, the Postal Service would raise Periodicals rates to the level necessary to cover attributable cost.¹⁷³ Accordingly, the Commission considers these losses to be part of the USO Cost.

In FY 2024, Periodicals losses were \$337.9 million. In FY 2024, revenue from Periodicals covered 73.0 percent of the attributable cost of the Periodicals class, an increase from 60.1 percent in FY 2023.¹⁷⁴ In FY 2024, on a unit basis, both In-County and Outside County Periodicals revenues increased and the overall unit cost decreased.¹⁷⁵

The Periodicals class has routinely failed to cover its attributable cost since at least FY 2007.¹⁷⁶ The Commission took steps to address this issue by finalizing rules adopting changes to the regulations governing the Market Dominant ratemaking system.¹⁷⁷ Specifically, for non-compensatory mail classes such as Periodicals, the final rules provide the Postal Service an additional 2 percentage points of rate

¹⁷⁰ FY 2018 ACD at 39.

¹⁷¹ In this Annual Report, attributable cost means incremental cost. *See Order No. 3506 at 125*. 39 U.S.C. § 3622(c)(2) defines attributable cost as the “direct and indirect postal costs attributable to each class or type of mail service through reliably identified causal relationships plus that portion of all other costs of the Postal Service reasonably assignable to such class or type[.]” In Order No. 3506, the Commission revised the methodology for determining attributable cost to include inframarginal costs, developed as part of the estimation of incremental costs. Before that order, attributable cost only included the sum of volume-variable costs, which rise as volume increases and fall as volume decreases, and product-specific fixed costs, which are costs caused by a specific product but do not vary with volume. *See Docket No. ACR2016, Financial Analysis of United States Postal Service Financial Results and 10-K Statement Fiscal Year 2016*, March 31, 2017, at 37.

¹⁷² Periodicals is a preferred class of mail and receives several statutory discounts, such as a 5 percent discount for nonprofit and classroom publications. These losses were initially called “Losses on Market Dominant Products” in past Annual Reports. The Commission later clarified that the USO Cost only includes Periodicals Losses. *Postal Regulatory Commission, Annual Report to the President and Congress Fiscal Year 2012*, January 3, 2013, at 37 n.3. Losses on other unprofitable Market Dominant products are not included, because those products are in classes that were profitable overall; therefore, the Postal Service had the pricing flexibility to remedy those losses. *USO Report at 134*.

¹⁷³ The Postal Service has 2 percentage points of additional rate authority; however, it is aimed only at narrowing the cost-coverage gap over time. If the cost coverage rises to provide positive contribution, the Postal Service’s eligibility for the 2-percentage-point increase would cease. *See Order No. 5763 at 357-58*; *Order No. 5337 at 168-71*.

¹⁷⁴ *FY 2023 Financial Analysis, Appendix A; FY 2024 Financial Analysis, Appendix A*.

¹⁷⁵ *Id.*

¹⁷⁶ *Docket No. ACR2024, Library Reference PRC-LR-ACR2024-5, Excel file “FY 2024 Periodicals.xlsx,” tab “Financials.”* The Periodicals class is comprised of two products: In-County and Outside County. In-County is typically used by newspapers with smaller weekly circulations for distribution within the county of publication. Outside County consists of publications with a wide variety of circulation sizes, distribution patterns, and frequency. *FY 2024 Financial Analysis at 78*.

¹⁷⁷ *See Docket No. RM2017-3, Order Adopting Final Rules for the System of Regulating Rates and Classes for Market Dominant Products, November 30, 2020 (Order No. 5763).*

authority per class per fiscal year.¹⁷⁸ Similar to CPI-based rate authority, if all of this authority is not immediately used, it may be banked for use in future years. The first price increase for Periodicals using the new rate authorities took effect August 29, 2021, only 1 month before the end of FY 2021.¹⁷⁹ As such, the FY 2020 through FY 2021 data evaluated in this section essentially reflects the operation of the original price cap's more restrictive statutory parameters. The Periodicals losses receded in FY 2022 as an aftermath of implementing the price increase for Periodicals, even as volume continues to decline. Periodicals volume declined by 8.2 percent and revenue decreased by 1.1 percent from FY 2023 to FY 2024.

Other Public Services or Activities

The Commission must estimate the costs incurred by the Postal Service in providing “other public services or activities which, in the judgment of the Postal Regulatory Commission, would not otherwise have been provided by the Postal Service but for the requirements of law.”¹⁸⁰ These costs include the costs of providing Six-Day Delivery (rather than Five-Day Delivery), uniform rates for First-Class Mail and Media Mail/Library Mail, and the net cost of the Postal Inspection Service. Table IV-5 shows the costs of providing these public services or activities from FY 2020 through FY 2024.

Table IV-5
Other Public Services or Activities the Postal Service
Would Not Provide but for Legal Requirements (\$ Millions)¹⁸¹

Public Service or Activity	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020
Six-Day Delivery	3,351	2,862	2,677	2,642	2,518
Uniform First-Class Mail Rates	73	76	74	66	52
Uniform Media Mail/Library Mail Rates	N/A	66	50	76	94
Postal Inspection Service (Net Cost)	593	557	551	541	503
TOTAL	\$4,017	\$3,561	\$3,353	\$3,324	\$3,167

N/A - In FY 2024, the Uniform Media Mail/Library Mail Rates estimate was not calculated because the Media Mail/Library Mail unit cost contribution was higher than the unit cost contribution of Bound Printed Matter Mail.

¹⁷⁸ Order No. 5763 at 159-60, 190-91. Order No. 5763 revised 39 C.F.R. part 3030 to create a new subpart for Non-compensatory Classes or Products. *Id.* at 370; *Id.* Attachment at 38-39.

¹⁷⁹ See Docket No. R2021-2, Order on Price Adjustments for First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, July 19, 2021 (Order No. 5937).

¹⁸⁰ 39 U.S.C. § 3651(b)(1)(c).

¹⁸¹ The Postal Service provided the updated Rural Mail Count data for FY 2019 through FY 2021. See Docket No. PI2020-1, Response to CHIR No. 6, question 1; Docket No. PI2020-1, Library Reference USPS-PI2020-1/NP5, folder “ChIR6.Q1;” Docket No. PI2020-1, Library Reference USPS-PI2020-1/NP3, folder “Q1;” Docket No. PI2020-1, Library Reference USPS-PI2020-1-NP6, March 31, 2022, Update of Nonpublic Material Provided in Response to CHIR No. 6. FY 2024 estimated rural carrier six-day delivery cost is based on the October 2023 RRECS data provided in Docket No. PI2020-1, Response to CHIR No. 12, question 1, Library Reference USPS-PI2020-1-NP11. Uniform First-Class Mail Rates costs for FY 2020 through FY 2024 methodologies use elasticities based on data that include the respective fiscal year and do not use the forecasting model volumes used in the USO Report.

SIX-DAY DELIVERY

Since 1984, appropriations bills have included a provision requiring the Postal Service to continue providing Six-Day Delivery.¹⁸² On April 6, 2022, the PSRA codified the Six-Day Delivery requirement in a revised 39 U.S.C. § 101(b).¹⁸³ The cost of providing Six-Day Delivery is measured as the estimated savings the Postal Service would achieve by providing residential delivery service 5 days a week instead of 6 days a week. Table IV-5 shows the cost of Six-Day rather than Five-Day Delivery from FY 2020 through FY 2024.¹⁸⁴ In FY 2024, the estimated cost of providing Six-Day Delivery was approximately \$3.4 billion, an increase from the estimated FY 2023 cost of \$2.9 billion.

UNIFORM RATES

Rates for First-Class Mail must be uniform throughout the United States.¹⁸⁵ To determine the cost of uniform First-Class Mail rates, the Commission estimates the increased contribution that the Postal Service would earn if dropship discounts were allowed for workshared First-Class Mail. Table IV-5 shows the estimated cost of uniform First-Class Mail rates. The estimated cost of uniform First-Class Mail rates decreased from \$75.8 million in FY 2023 to \$72.7 million in FY 2024.

Media Mail/Library Mail rates must be uniform for mail of the same weight and must not vary with the distance transported.¹⁸⁶ The Commission estimates the cost of the distance component by assuming that without this requirement, Media Mail/Library Mail would provide the unit contribution of Bound Printed Matter, a proxy that does not have this restriction. The Commission estimates the additional unit contribution by determining the difference between the unit contributions of Bound Printed Matter and Media Mail/Library Mail. Media Mail/Library Mail total volumes are then multiplied by the estimated additional unit contribution to produce an estimate of the total additional contribution if Media Mail/Library Mail rates were not uniform. The Media Mail/Library Mail estimate for FY 2024 was not included in Table IV-5 and the FY 2024 USO estimate in Table IV-1 because Bound Printed Matter Mail in FY 2024 was not an appropriate proxy due to methodological changes that resulted in the Media Mail/Library Mail unit cost contribution being higher than the Bound Printed Matter Mail unit cost contribution.¹⁸⁷

POSTAL INSPECTION SERVICE

In the FY 2019 Annual Report, the Commission began including the net cost of the Postal Inspection Service in the estimated cost of the USO as an “other public service or activity” under 39 U.S.C. § 3651(b)(1)(C).¹⁸⁸ The Postal Inspection Service enforces more than 200 federal laws that relate to

¹⁸² See, e.g., Consolidated Appropriations Act, 2021, Pub. L. 116-260, 134 Stat. 1182, 1423 (2020) (“6-day delivery and rural delivery of mail shall continue at not less than the 1983 level[.]”).

¹⁸³ PSRA § 202, 136 Stat., 1146-47 (2022).

¹⁸⁴ The methodology for calculating the current cost of Six-Day Delivery differs from the methodology applied in the USO Report in 2008 because it reflects refined and more comprehensive costs based on the Commission’s findings in its Advisory Opinion on Elimination of Saturday Delivery. See Docket No. N2010-1, Advisory Opinion on Elimination of Saturday Delivery, March 24, 2011; Postal Regulatory Commission, Annual Report to the President and Congress Fiscal Year 2011, December 21, 2011, at 41.

¹⁸⁵ 39 U.S.C. § 404(c).

¹⁸⁶ 39 U.S.C. § 3683.

¹⁸⁷ See FY 2024 Financial Analysis Report at 43-44, 83, Appendix A.

¹⁸⁸ See FY 2019 Annual Report at 49.

crimes involving the postal system, its employees, and its customers.¹⁸⁹ The mission of the Postal Inspection Service is “to support and protect the [Postal Service] and its employees, infrastructure, and customers; enforce the laws that defend the nation’s mail system from illegal or dangerous use; and ensure public trust in mail.”¹⁹⁰ Law enforcement activities of the Postal Inspection Service involve defending the nation’s mail from illegal or dangerous use by, for example, combatting illegal narcotics, mail fraud, and mail and package theft.¹⁹¹ The costs of the Postal Inspection Service are partially offset by fines collected and restitution, which are subtracted from the total cost to calculate the net cost.

In FY 2024, the net cost of the Postal Inspection Service was approximately \$593.4 million, compared to the estimated FY 2023 net cost of \$556.7 million.¹⁹²

Value of the Postal Monopoly

The mailbox monopoly is the Postal Service’s exclusive right to deliver to and collect from mailboxes.¹⁹³ The letter monopoly is the Postal Service’s exclusive right to carry and deliver most addressed, paper-based correspondence.¹⁹⁴ The combined letter and mailbox monopolies are referred to as the postal monopoly. The Annual Report includes estimates of both the value of the postal monopoly and the value of the mailbox monopoly alone.

The value of the postal monopoly is an estimate of the profit that the Postal Service would potentially lose if both the mailbox and letter monopolies were lifted and the Postal Service was subject to competition for mail currently covered by the postal monopoly.

The value of the mailbox monopoly is estimated based on contestable mail volumes in Periodicals, select USPS Marketing Mail prepared in carrier route sequence, and Parcel Select.¹⁹⁵ Changes in the volume of contestable mail affect the number of profitable routes the competitor could deliver to and the amount of profit the Postal Service would lose if the competitor captured the contestable mail on those routes.

The Commission uses a modified version of the model described in the USO Report to update current estimates.¹⁹⁶ The model assumes that the competitor will “win” or “skim” all of the contestable mail on a route if the revenue it would earn from these mail volumes is greater than the fixed and attributable costs related to the volumes. The model also assumes the competitor would deliver only local and

¹⁸⁹ See United States Postal Inspection Service, *What We Do, Our Jurisdiction is Worldwide*, available at <https://www.uspis.gov/about/what-we-do/>.

¹⁹⁰ See United States Postal Inspection Service, *Leadership*, available at <https://www.uspis.gov/leadership>.

¹⁹¹ See United States Postal Inspection Service, *What We Do, Our Jurisdiction is Worldwide*, available at <https://www.uspis.gov/about/what-we-do/>.

¹⁹² See Docket No. ACR2024, Library Reference USPS-FY24-32, December 30, 2024, PDF file “USPS-FY24-32 Preface.pdf,” at 5.

¹⁹³ 18 U.S.C. § 1725.

¹⁹⁴ The letter monopoly is codified in the Private Express Statutes. See 18 U.S.C. §§ 1693-99; 39 U.S.C. §§ 601-606.

¹⁹⁵ Contestable mail is certain mail that is dropshipped to the processing facility or delivery unit closest to its destination.

¹⁹⁶ See USO Report at 143-52. The Commission described the current methodologies employed in Order No. 6658 and Docket No. PI2020-1, Library Reference PRC-LR-PI2020-1-NP2. For FY 2024, the October 2023 RRECS data was used to estimate the rural routes contribution to the postal and mailbox monopoly values.

regional mail to focus on the most profitable delivery routes and avoid the need for significant capital to establish a processing and transportation network.

Even with the postal monopoly, competitors still deliver material (*e.g.*, newspapers' weekly advertising supplements) that might otherwise be sent via the Postal Service. If the mailbox monopoly alone was lifted, competitors could deliver and deposit into mailboxes products that fall outside of the letter monopoly, such as Periodicals, unaddressed saturation mail, catalogs exceeding 24 pages, and letters exceeding 12.5 ounces. The letter monopoly prevents competitors from delivering certain mail that is directed to a specific person or address, such as First-Class Presorted Letters/Postcards and USPS Marketing Mail Letters. If the letter monopoly was also lifted, this restriction would not apply.

The model currently evaluates the competitor's entry for each route regardless of the extent of route clustering. Focusing on routes in the same cluster or area would reduce the competitor's fixed costs.¹⁹⁷ Also, because the model assumes that the competitor does not incur mail processing costs, values of the postal and mailbox monopolies do not reflect the cost of sorting to carrier routes, which is necessary to deliver mail presorted to the 5-digit ZIP Code. The model also does not account for mailers' switching costs or brand loyalty.¹⁹⁸ In addition, bulk parcels, which are Competitive products, are considered contestable mail.

The Commission's estimates of the postal and mailbox monopolies are based on the assumed mid-range (base case model) values for four key variables: (1) the volumes that an entrant could contest; (2) the entrants' costs; (3) the entrants' delivery frequency; and (4) the discount that the entrant offers to entice customers. The base case model for calculating both estimates of the postal and mailbox monopolies assumes that an entrant would offer a 10 percent discount, have a 10 percent cost advantage (be 10 percent more efficient), and skim 100 percent of the contestable mail on profitable routes.¹⁹⁹ The FY 2020 through FY 2024 postal and mailbox monopoly estimates calculated using the base case model assumptions are presented in Table IV-6.

¹⁹⁷ The Commission would need route-level, geographic-specific data to account for clustering. Further improvements could be made by assuming the competitor would design routes to more efficiently deliver the contestable mail. However, this would require information about volume delivered to each stop that is not currently available.

¹⁹⁸ Although the model assumes a 10 percent discount would be necessary to entice customers to switch, brand loyalty, inertia, the need to prove quality, and other factors affect the pace at which customers would switch from the Postal Service to a competitor. The base case model assumes a competitor would capture 100 percent of the contestable mail on routes that are skimmed. See USO Report at 149. However, some customers may not switch to a competitor even if a discount were offered.

¹⁹⁹ The base case model entrant delivery frequency differs for the postal and mailbox monopoly estimates calculation, *i.e.*, assumed entrant delivery frequency for the postal monopoly estimate is 3 days a week and 1 day a week for the mailbox monopoly estimate.

Table IV-6
Base Case Model Estimated Values of the Postal and Mailbox Monopolies²⁰⁰ (\$ Billions)

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020
Postal Monopoly	5.92	3.74	4.19	3.10	3.82
Mailbox Monopoly	0.62	0.21	0.20	0.20	0.86

While the base case represents the most likely scenario for entry by competitors, given the uncertain nature of how competition would evolve in the absence of the postal and mailbox monopolies, variations in the assumptions are possible. To illustrate the sensitivity of the estimates to these assumptions, the Commission also presents the FY 2024 estimates of the postal and mailbox monopolies based on alternative assumed values (“low” and “high” models) for the four key variables (in addition to the assumed base case model mid-range values).²⁰¹

Table IV-7 illustrates the impact on the FY 2024 monopoly estimates given variations in the assumptions of the four key variables: (1) the amount of discount offered by the entrant; (2) the entrant’s cost advantage; (3) the number of delivery days; and (4) the percentage of contestable mail skimmed on profitable routes.²⁰² The monopoly estimates calculated using the “low” and “high” values of the four key variables are unlikely to represent the actual value of the monopolies but may be helpful to conceptualize the lower and upper bounds of reasonable estimates. Table IV-7 illustrates the sensitivity of the monopoly estimates to potential changes in the key model input variables’ values.

Table IV-7
FY 2024 Estimated Values of the Postal and Mailbox Monopolies (\$ Billions)

	Low	Base Case	High
Postal Monopoly	0.13 ^a	5.92 ^b	11.61 ^c
Mailbox Monopoly	0.01 ^d	0.62 ^e	1.54 ^f

^a Discount 20%, Delivery Days 6, Entrant’s Cost Advantage 0%, Contestable Volume 50%

^b Discount 10%, Delivery Days 3, Entrant’s Cost Advantage 10%, Contestable Volume 100%

^c Discount 0%, Delivery Days 1, Entrant’s Cost Advantage 30%, Contestable Volume 150%

^d Discount 20%, Delivery Days 6, Entrant’s Cost Advantage 0%, Contestable Volume 50%

^e Discount 10%, Delivery Days 1, Entrant’s Cost Advantage 10%, Contestable Volume 100%

^f Discount 0%, Delivery Days 1, Entrant’s Cost Advantage 30%, Contestable Volume 150%

²⁰⁰ Subtracting the value of the mailbox monopoly from the value of the postal monopoly does not yield the value of the letter monopoly because there is an overlap in the contestable mail and a different frequency of delivery by the competitor. Without access to mailboxes, it is unlikely that the competitor could successfully capture mail directed to a specific person or address because those mailpieces are delivered to and collected from mailboxes. Therefore, a separate estimate of the value of the letter monopoly alone (retaining the mailbox monopoly) is not provided.

²⁰¹ See USO Report at 144, Table 5 notes 2, 5; *id.* at 143-46.
²⁰² See notes to Table IV-7.

Chapter V. Public Affairs

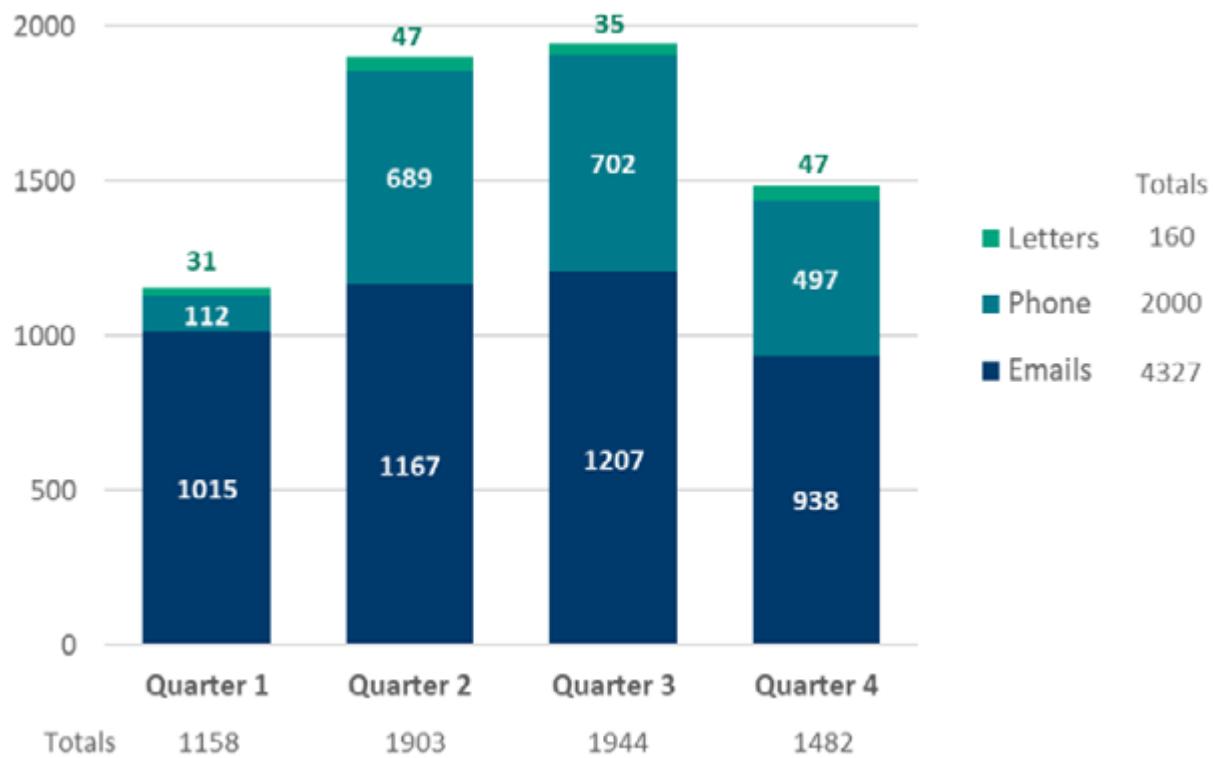
The Commission's Office of Public Affairs and Government Relations (PAGR) is the primary resource in support of public outreach and education; complaint processing; media relations; and liaison with the U.S. Congress, the Administration, the Postal Service, and other government agencies. This office keeps the Commission abreast of legislative matters and policies related to the postal industry. In addition, PAGR supports the preparation of congressional testimony, and responses to congressional inquiries.

Consumer Relations

Comments and Inquiries

In Fiscal Year 2025, PAGR responded to over 6400 questions, suggestions, comments, and requests for information. Most of these inquiries were submitted through the online "Contact Us" email link on the Commission's website, while the remaining ones were received by phone and hardcopy correspondence.

Figure V-1
FY 2025 Number of Inquiries Received by Contact

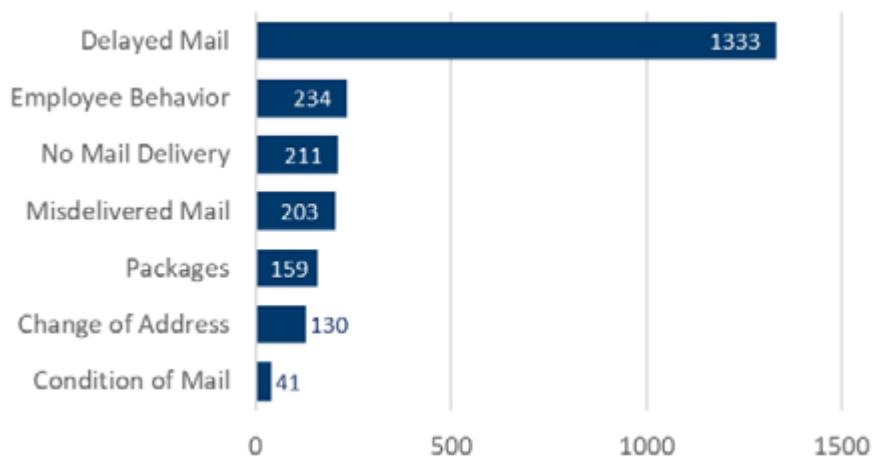


Commission Order No. 195 mandates that the U.S. Postal Service address rate and service inquiries referred by the Commission to the USPS Office of Consumer Advocate within 45 days of receipt. Additionally, the order stipulates that the Postal Service must file a monthly report detailing the overall nature of the inquiries they received. These reports can be accessed on the Commission's website at www.prc.gov, specifically under the eDockets System.

INQUIRIES BY ISSUE

In line with previous reporting, packages that were delayed, along with undelivered and misdelivered mail, remained the leading complaint types. The Commission received more than 1,300 comments from the public voicing objections to specific elements of the Postal Service's Delivering for America initiative. Additionally, a considerable number of concerns were expressed regarding the USPS's new change-of-address verification process.

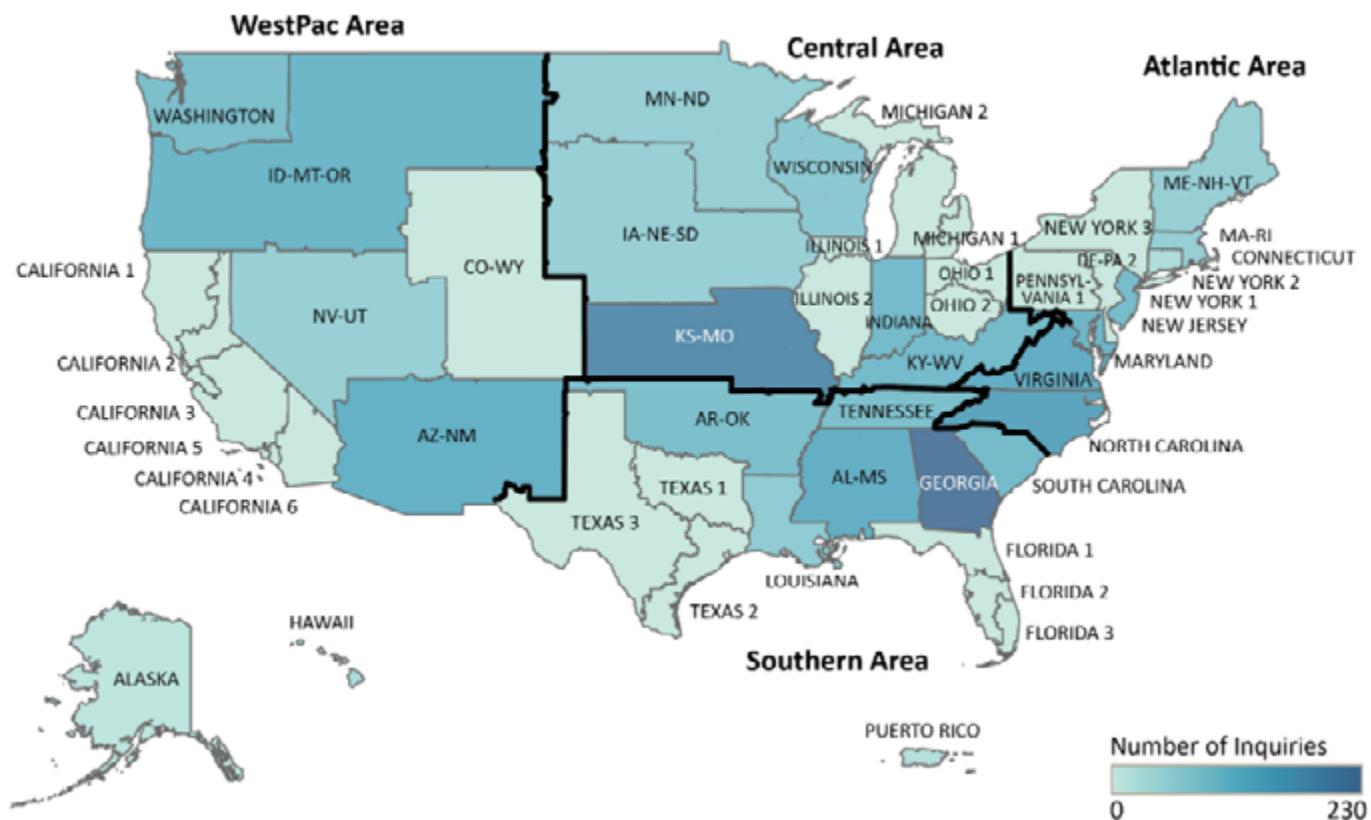
Figure V-2
FY 2025 Number of Inquiries Received by Issue



INQUIRIES BY LOCATION

In FY 2025, a review of the inquiries received by district revealed that the Commission received the greatest number of inquiries from Maryland, North Carolina, New York 1, Virginia, Kansas-Missouri, Illinois 1, Texas 1, Georgia, Arizona-New Mexico, and Idaho-Montana-Oregon Districts.

Figure V-3
FY 2025 Number of Inquiries Received by District



Chapter VI. Budget and Financial Management

The Office of Budget and Finance (OBF) is responsible for financial management across the Commission. OBF is a strategic partner with Commission leadership in ensuring the adequate resourcing of its mission and ensure execution is performed with fiscal prudence within appropriate rules and guidelines. The primary responsibilities of OBF include:

- Budget Planning, Programming, Execution, Analysis, and Presentation
- Financial Management and Accounting
- Contract Planning and Management
- Strategic fiscal thought leadership, policy development, and audit preparedness

OBF ensures the Commission executes its fiscal responsibilities in accordance with applicable laws and regulations and within established funding guidelines. Strong internal controls, transparency, accuracy in record keeping, and adherence to fund management principles are the hallmarks of OBF's mission in support of the organization.

FY 2025 Budget and Priorities

FY 2025 was the Commission's third year outside the appropriations process, receiving its annual funding from the United States Postal Service's Governors (USPS Governors). The Commission's FY 2025 budget requirement of \$28.8 million was comprised of:

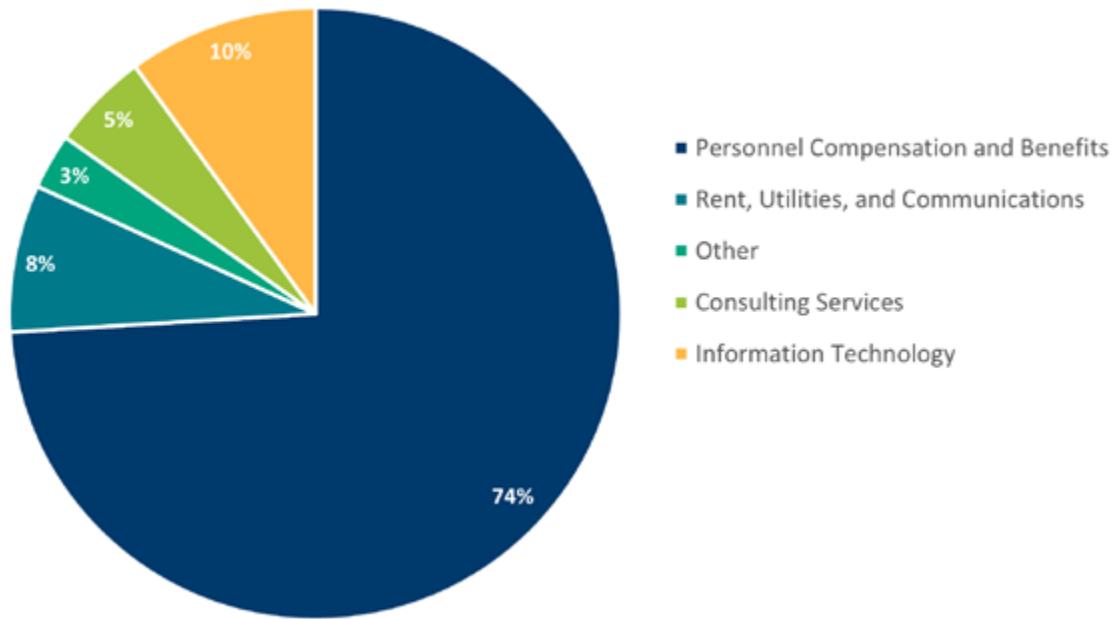
- \$25.4 million in annual funding from the USPS Governors
- \$2.0 million in funding from the Commission's Technology Modernization Fund (TMF) award
- \$1.4 million in funding from the Commission's cumulative carryover balances

FY 2025 was the Commission's final year to obligate funds received from its TMF Award. The TMF was established to provide funding to federal agencies to modernize outdated IT systems, improve cybersecurity, and enhance digital services to the public. The Commission has received \$4.0 million in total from the TMF and has fully obligated those funds as of September 30, 2025.

In FY 2025, the Commission successfully executed \$27.9 million of its budget, achieving a 97 percent execution rate. Figure VI-1 illustrates the distribution of this spending. Throughout FY 2025, the Commission maintained a disciplined approach to cost containment, expenditure reduction, and targeted reinvestment. More than 80 percent of resources were allocated to Personnel, Rent, Utilities,

and Communications. Additionally, 10 percent of the budget supported Information Technology initiatives, as the Commission advanced its modernization efforts through its TMF Award.

Figure VI-1
FY 2025 Commission Spending



In FY 2025, the Commission established the budget requirements and completed its out-year resource planning for FY 2026 through FY 2028. OBF ensured projected funding requests aligned with the Commission's strategic plan and annual priorities. Additionally, the Commission realigned resources to streamline operations, enhancing efficiency and effectiveness in accordance with the administration's emphasis on data-centric decision-making. These efforts position the Commission to maintain optimized operations that deliver improved performance and outcomes in the years to come.

Chapter VII. Administration

The Commission's Office of Secretary and Administration (OSA) ensures that the agency has the physical, technological, and human capital infrastructure needed to accomplish its mission. OSA has continued its focus on modernizing legacy infrastructure, systems, and services to enhance operational efficiency, improve user experience, and meet evolving Administration mandates.

These efforts align with the Commission's **2023-2028 STRATEGIC PLAN**, particularly for:

- Goal 3 – Capability Modernization
- Goal 4 – Workforce and People Development

The following sections outline key initiatives and accomplishments under those priorities.

Strategic IT Modernization

To strengthen the Commission's technology foundation and enhance cybersecurity, the agency advanced several system modernization efforts this year. These initiatives improve operational efficiency, support continuity of service, and help ensure that Commission systems remain aligned with federal technology expectations.

Cloud-Based Service

The Commission continued its transition to modern cloud services by retiring remaining legacy services and reducing reliance on aging on-site infrastructure. With nearly all core services now cloud-based, employees and contractors benefit from higher reliability, improved performance, and reduced maintenance needs. This work ensures that essential services remain secure, resilient, and consistent with federal technology standards.

Modern Identity

The Commission introduced phishing-resistant authentication, also known as password-less sign-in, to strengthen security and provide a smoother and more consistent sign-in experience across all staff computers and mobile devices. This approach supports the federal move toward Zero Trust and modern identity protection, enhancing safeguards while making access easier for employees.

System Reliability

The Commission improved the stability and performance of essential technology systems by strengthening the operational infrastructure that supports daily work. These updates help ensure that core services run reliably, that information remains protected through consistent controls, and that employees and contractors have dependable access to the tools they need. Enhanced operational monitoring now provides real time insight into system health, allowing issues to be identified and addressed more quickly and supporting uninterrupted agency operations.

Electronic Docketing System Enhancements

The Commission completed Phase II enhancements to the eDockets platform, making it faster and easier for external stakeholders and Commission employees to find, review, and manage regulatory filings. Improvements include more intuitive search features, clearer information displays, and expanded access via mobile devices. Users can navigate filings more quickly, upload attachments with greater ease, and reach historical records more efficiently. These updates simplify research, reduce processing time, and create a more seamless experience for all users.

Business Process Modernization

The Commission expanded its use of modern cloud-based tools and automation capabilities to streamline internal operations and reduce manual work across the Commission. Through the strategic deployment of 18 custom applications and more than 250 automated workflows, the Commission has transformed daily operations and reduced reliance on outdated email-based procedures. These solutions now run more than 700 automated workflows each business day, improving how routine requests are submitted, tracked, and completed.

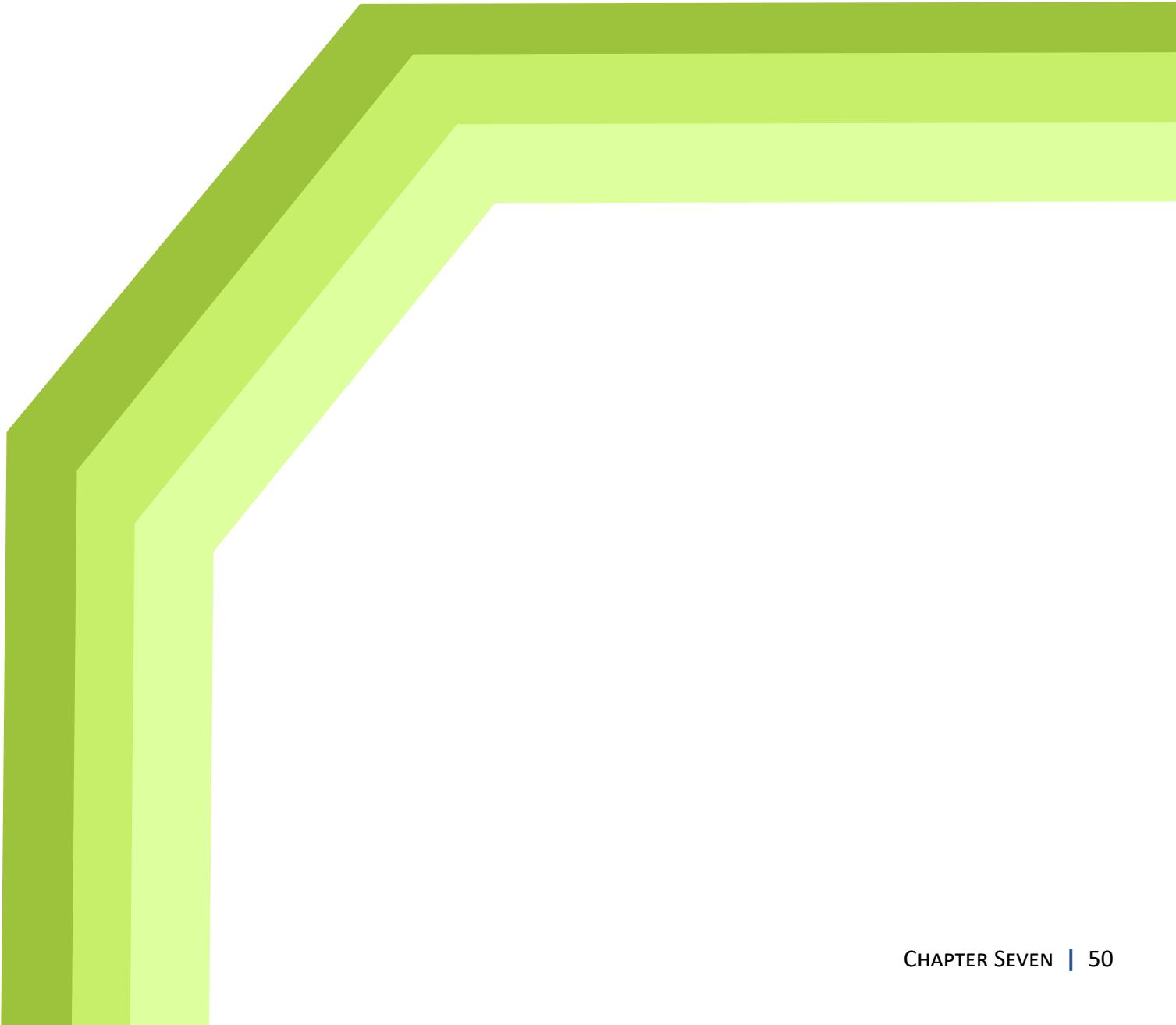
Collectively, these digital tools have generated measurable efficiency gains, saving an estimated 22,800 labor hours annually, which is comparable to the workload of approximately 11 full time employees. This work has also resulted in labor savings estimated at over one million dollars each year. On average, each digital application use saves about 30 minutes, while each automated workflow saves about 5 minutes, demonstrating the tangible productivity improvements achieved. By using flexible and internally supported digital solutions, the Commission has created a more sustainable operating environment that is easier to maintain, adapt, and improve over time, leading to faster turnaround times and a more efficient and reliable experience for staff across the Commission.

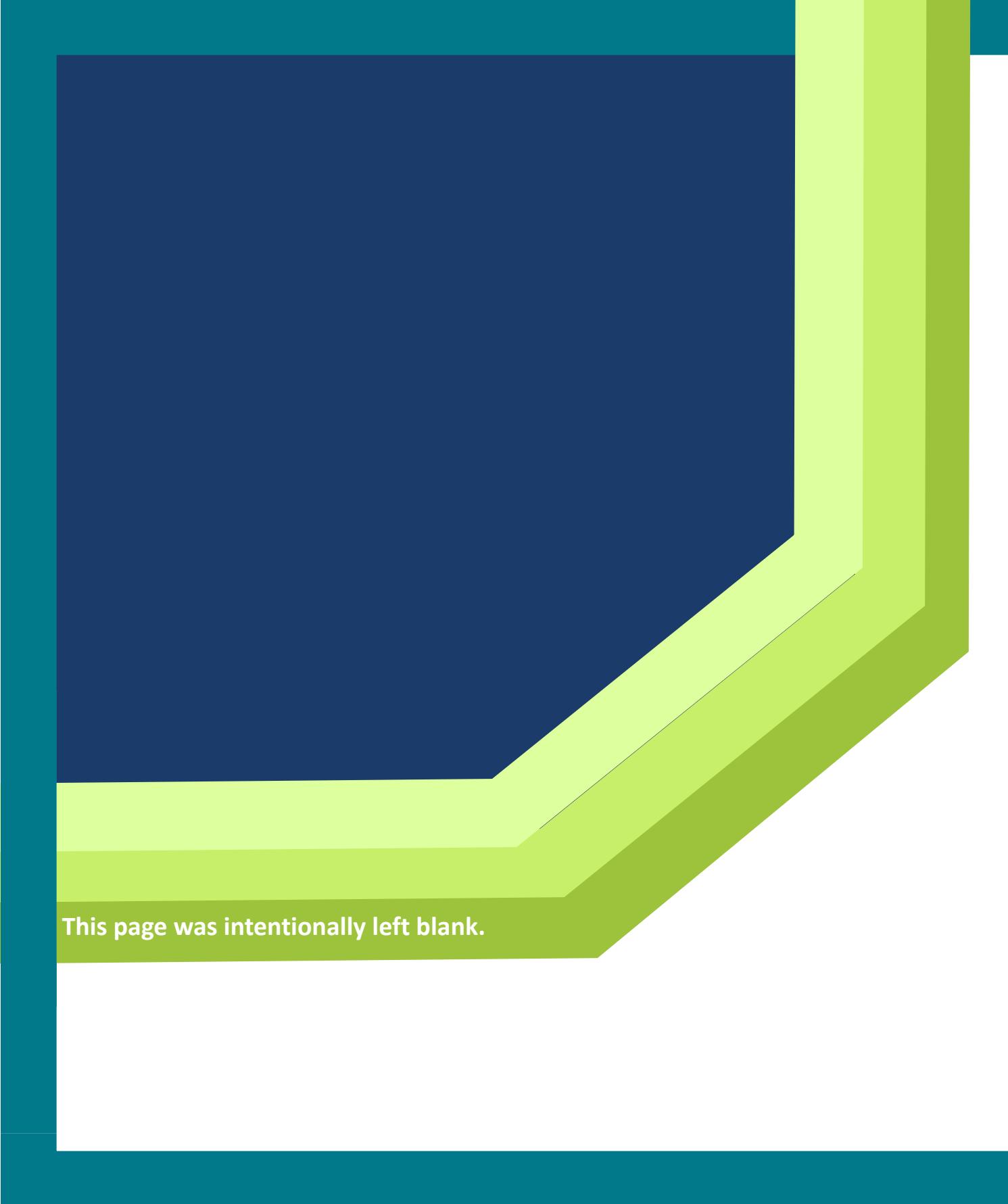
Records Management and Privacy Compliance

OSA also strengthened compliance with federal records and privacy regulations during FY 2025. The agency formally appointed records liaisons for each department, who began planning updates to the Commission's records schedule. Record management staff installed protocols to have all employees regularly evaluate departmental file resources to ensure compliance, accuracy, and effective records management practices. Commission privacy staff completed a personally identifiable information (PII) inventory of and privacy threshold analyses for all agency IT systems, removing unnecessary databases and streamlining records collection for its FOIA and rate and service inquiry processes.

Cybersecurity and Data Protection

In alignment with Zero Trust principles, the Commission has continued to strengthen its cybersecurity framework since integrating DOJ SOC services. These services provide continuous monitoring, real-time threat detection, and incident response support, enabling proactive risk mitigation. The Commission has also fully migrated to Rev 5 and conducted a comprehensive assessment to ensure compliance with all relevant standards. Ongoing logging, auditing, and monitoring activities further support regulatory compliance and safeguard the Commission's sensitive data.





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