



Postal Regulatory Commission

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

Phone: 202-789-6829
Fax: 202-789-6891

Contact: Gail Adams
gail.adams@prc.gov

Press Release

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PRC Releases FY 2022 *Annual Compliance Determination* *USPS continues to struggle with compliance in some areas*

Washington, DC – Today the Postal Regulatory Commission issued its FY 2022 [Annual Compliance Determination](#) assessing the Postal Service's compliance with rates and service performance. The Commission is required to issue its Determination 90 days after the filing of the Postal Service's *Annual Compliance Report* (ACR) (39 U.S.C. Section 3653). This review reflects the new pricing rules for Market Dominant products adopted in FY 2021, including rate authority mechanisms and new requirements for workshare discounts and non-compensatory products.

The Commission's analysis includes detailed findings, recommendations, and directives on compliance regarding the following subjects:

- Market Dominant products' rates and fees, including, in particular, workshare discounts and non-compensatory products
- Competitive products rates and fees
- Service performance of Market Dominant products

MARKET DOMINANT PRODUCTS' RATES & FEES

Workshare Discounts:

Workshare discounts are discounts that the Postal Service offers mailers for performing certain sortation and transportation work that would otherwise be performed by the Postal Service. Under the workshare discount system developed by the Commission, workshare discounts generally must reflect between 85 and 100 percent of the cost that the Postal Service avoids when the mailer or service provider performs the relevant work. The Commission finds that in FY 2022, 21 workshare discounts passed through more than 100 percent of avoided costs, and 39 workshare discounts passed through less than 85 percent of avoided costs. In both cases, the Postal Service must bring

the identified workshare discounts into compliance consistent with applicable regulations in the next rate adjustment proceeding.

Cost Coverage:

The Commission identifies one compensatory class, First-Class Mail, in which all products covered their attributable costs.

Non-compensatory Products:

The Commission finds one non-compensatory class (Periodicals), where both products are non-compensatory (Periodicals In-County and Periodicals Outside County). Although both products' cost coverage improved in FY 2022, the costs of these products have risen in the long term, while unit revenue has been unable to keep up with changes in unit costs, negatively affecting cost coverage. The Commission's rules provide the Postal Service with an additional 2 percentage points of pricing authority for Periodicals as a non-compensatory class.

The Commission identifies five non-compensatory products within classes that were compensatory overall. For all five products, the Commission reminds the Postal Service that the Commission's rules require it to increase the price for each such product by at least 2 percentage points above the average for its class in each generally applicable Market Dominant rate proceeding affecting that class.

COMPETITIVE PRODUCTS' RATES AND FEES

The Commission finds that revenues for Competitive products as a whole exceeded incremental costs, therefore Competitive products were not subsidized by Market Dominant products during FY 2022. In addition, collectively, Competitive products satisfied the appropriate share requirement of 39 U.S.C. § 3633(a)(3) during FY 2022. Lastly, the Commission finds that revenues for five Competitive products did not cover their attributable costs; these products were either relatively small Special Services or contracts with specific business mailers. The Commission directs the Postal Service to take corrective action as it relates to these products.

SERVICE PERFORMANCE

The Commission finds a significant number of Market Dominant products failed to meet their service performance targets for FY 2022 and directs the Postal Service to take corrective action. Of 27 Market Dominant products/categories measured, 13 (48 percent) did not meet their targets, and some were substantially below the applicable target. The Postal Service did meet its service performance targets for 14 Market Dominant products/categories.

The Commission directs the Postal Service to improve service performance results to achieve the applicable on-time percent target level for the products out of compliance in FY 2023. The Commission has also developed directives that elicit data regarding service performance for noncompliant products and the plan to restore service performance for those products. The directives include continued reporting of specific information within 90 days of the issuance of this report and as part of its FY 2023 ACR.

The Commission's full review of the Postal Service's compliance with rates and service in FY 2022 is available at www.prc.gov, along with related documents filed in this docket.

The Postal Regulatory Commission is an independent federal agency that provides regulatory oversight over the Postal Service to ensure the transparency and accountability of the Postal Service and foster a vital and efficient universal mail system. The Commission is comprised of five Presidentially-appointed and Senate-confirmed Commissioners, each serving terms of six years. The President designates the Chairman. In addition to Chairman Michael Kubayanda, the other commissioners are Vice Chairman Mark Acton and Commissioners, Ann Fisher, Ashley Poling, and Robert Taub. Follow the PRC on Twitter: @PostalRegulator and LinkedIn.