



# Postal Regulatory Commission

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## Press Release

March 28, 2012

### PRC's Annual Compliance Determination Identifies Postal Service Problems and Successes

**Washington, DC** - The Postal Regulatory Commission today issued its Annual Compliance Determination (ACD) assessing the financial and service performance of the Postal Service in fiscal year (FY) 2011. While the Commission has determined the Postal Service to be largely in compliance with postal policies and the pricing requirements of the Postal Accountability and Enhancement Act (PAEA), the Postal Service's financial situation continues to deteriorate.

"The Postal Service continues to experience severe financial losses, with improvement unlikely in the near future," said PRC Chairman Ruth Goldway. "We believe the information and analysis in this ACD can contribute to Congressional consideration of postal reform legislation."

In FY 2011, the Postal Service lost \$5.1 billion, with cumulative losses for the past five years totaling \$23.5 billion. Mail volume continues its steady decline, particularly First Class Mail which fell by 5 billion pieces in FY 2011.

Structural Obstacles. The Postal Service cash flow crisis is primarily related to the overly ambitious Retiree Health Benefit Fund prefunding requirements. In FY 2012, the Postal Service is obligated to pay both the \$5.5 billion deferred from 2011 as well as \$5.5 billion due in FY 2012. The prefunding obligation contributed to the Postal Service's losses since FY 2008. The Commission has recommended a significant adjustment to the RHBF payment schedule.

Pricing Imbalances. The Commission identified ten Market Dominant products with rates that did not produce sufficient revenue to cover attributable costs in FY 2011, creating losses of \$1.6 billion. Standard Mail Flats remains out of compliance as losses grew from \$577 million in FY 2010 to \$643 million in FY 2011. Periodicals also failed to raise revenue sufficient to cover costs, falling short by \$609 million.

Service Performance. The Postal Service has met its service standard goals for single-piece First-Class Mail and Special Services. However, it did not meet service targets for the majority of Market Dominant products. The Intelligent Mail barcode system has not yet fulfilled its potential to measure service performance. Without improvement, the Commission will review its decision to allow the use of this hybrid system for service performance measurement.

The ACD fulfills one of the Commission's primary responsibilities, which is to annually assess Postal Service rates and services. It is based on information the Postal Service is required to provide within 90 days after the close of that fiscal year. The Annual Compliance Determination is available on the Commission's website, [www.prc.gov](http://www.prc.gov), and in hard copy at the Commission's offices.

*The Postal Regulatory Commission is an independent federal agency that provides regulatory oversight over the U.S. Postal Service to ensure the transparency and accountability of the Postal Service and foster a vital and efficient universal mail system. The Commission is comprised of five Presidentially-appointed and Senate-confirmed Commissioners, each serving terms of six years. The Chairman is designated by the President. In addition to Chairman Goldway, the other Commissioners are Vice Chairman Nanci Langley, Mark Acton, and Robert Taub. .*