



Press Release
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PRC Issues Annual Compliance Determination Finds Some Rates Do Not Comply Postal Service Should Make Better Use of Pricing Flexibility in the Law

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) 2010.

The Postal Service's financial situation continued to deteriorate in 2010, despite major reductions in costs. "Postal management and employees have done a commendable job in effectively adjusting to sudden volume declines due to the recent recession, but the Postal Service is at risk of insolvency and projects in its Integrated Financial Plan for FY 2011 that it could end the year with a negative cash balance of \$2.7 billion," said Commission Chairman Ruth Y. Goldway.

Volume and Revenue Declines. First-Class Mail volume and revenue continue to decline, falling by 5.5 billion pieces and more than \$1.8 billion, respectively.

Structural Obstacles. The Postal Service's liquidity crisis is related to an overly ambitious requirement for the Postal Service to prefund its future retiree health benefit premiums. Over the past four years, the Postal Service has paid \$20.9 billion to prefund these benefits, while the Postal Service's cumulative losses were just \$20.2 billion. The Postal Service is mandated to make another \$5.5 billion payment this year.

Pricing Imbalances. Part of the Postal Service's financial problem lies in pricing imbalances. The Commission identifies 10 market dominant products and services with revenue that did not cover attributable costs in FY2010, including flats, periodicals, and non-profit mail, totaling \$1.7 billion in losses.

- For the first time ever, the Commission finds rates not in compliance with the statute, and directs the Postal Service to take action to end the intra-class cross subsidy for Standard Mail Flats as soon as practicable. "The Postal Service has repeatedly failed to use its pricing flexibility, allowing the subsidy to increase over time," according to Chairman Goldway.

Service Measurement. The Commission reviewed the Postal Service's service measurement systems based on the Intelligent Mail barcode (IMb) and found persistent data errors, insufficient customer IMb usage, and a lack of product specific documentation. "The Postal Service must address these problems to assure customers of the continuing value of the mail," said Chairman Goldway.

This is the fourth annual ACD issued since the enactment of the PAEA. It reviews the prior fiscal year's activities and measures the Postal Service's progress in meeting its statutory obligations including financial independence and fair and efficient service to the Nation.

The Annual Compliance Determination is available on the Commission's website, www.prc.gov.

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 Mark Acton, Dan Blair, Nanci Langley, and Tony Hammond.
