



Postal Regulatory Commission

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Press Release

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PRC Adopts Final Rules on Minimum Contribution of Competitive Products to Institutional Cost

Formula-based Approach Used to Calculate the Appropriate Share

Washington, DC – Today the Postal Regulatory Commission (Commission) issued [Order No. 4963](#) adopting final rules concerning the appropriate share of institutional costs that Competitive products must contribute. The current appropriate share requirement is 5.5 percent of institutional costs. For Fiscal Year 2019, the appropriate share as generated by the Commission’s formula-based approach is 8.8 percent. This approach to setting the appropriate share is designed to clearly and transparently tie the appropriate share to both the prevailing competitive conditions in the market and other relevant circumstances, as required by statute. Under this rule, the appropriate share will be updated annually. The formula calculates the year-over-year change in the capacity of Competitive products to collectively generate contribution to institutional costs, based on the Postal Service’s market power and market position.

Competitive products are those products which are not regulated by a price cap and include Priority Mail, Priority Mail Express, and First-Class Package Service. Postal law gives the Postal Service the flexibility to price these products competitively, as long as they are not subsidized by Market Dominant products, they cover all costs which are specifically attributable to them, and they contribute what the Commission determines to be an appropriate share of the Postal Service’s institutional costs.

Institutional costs are residual costs that cannot be specifically attributed to products or groups of products through reliably identified causal relationships. The Commission is required to revisit the appropriate share regulation at least every 5 years to determine if the appropriate share requirement should be “retained in its current form, modified, or eliminated.” This review marks the second one for the Commission since the appropriate share requirement was first set in 2007.

The Commission’s final order may be viewed under Docket No. RM2017-1 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 Robert G. Taub, the other commissioners are Vice Chairman Nanci E. Langley and Commissioners Mark Acton and Tony Hammond. Follow the PRC on Twitter: [@PostalRegulator](#)