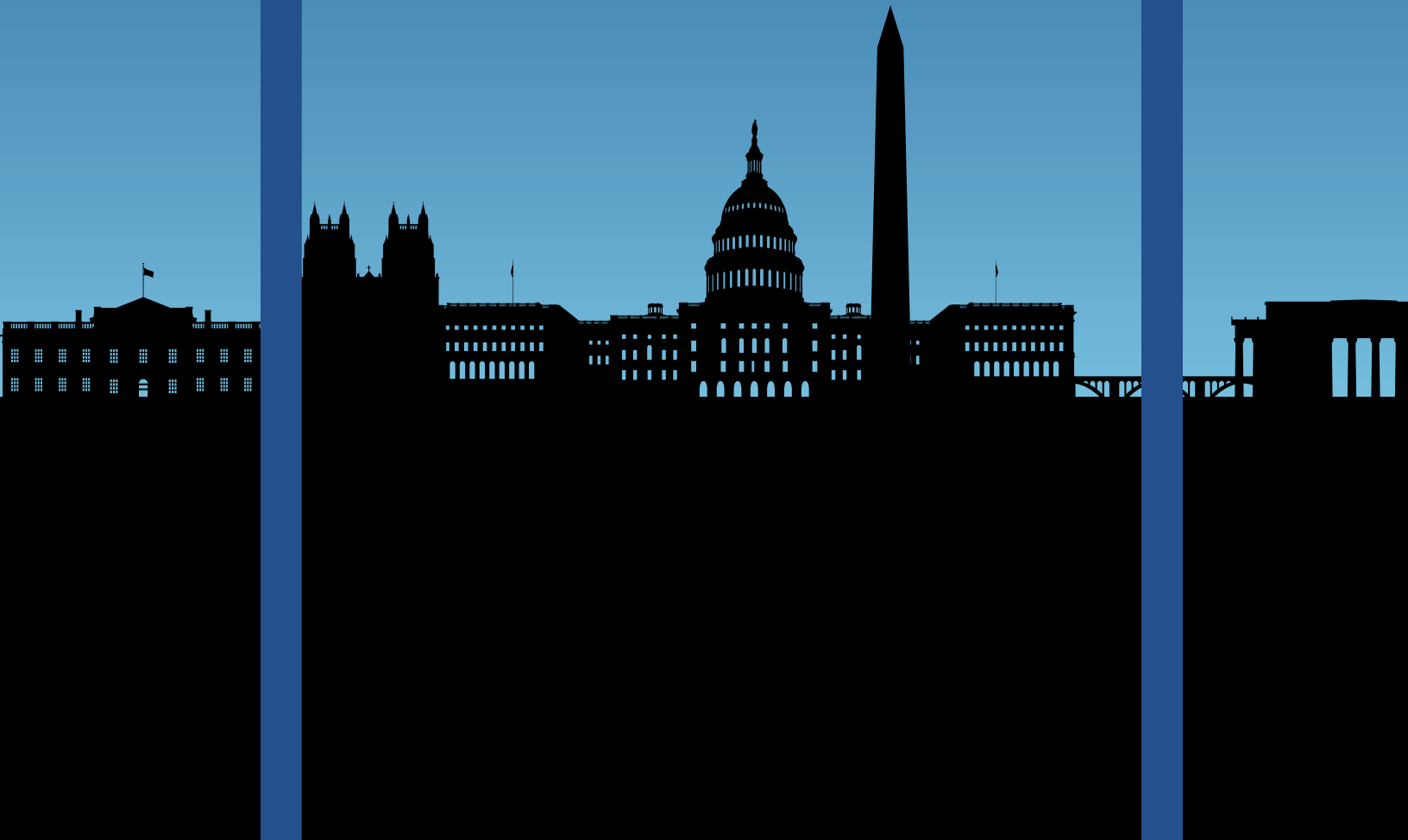


Postal Regulatory Commission
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FISCAL YEAR 2024
ANNUAL REPORT
TO THE PRESIDENT AND CONGRESS





LETTER FROM THE CHAIRMAN

FEBRUARY 2025

On behalf of the Postal Regulatory Commission, I am pleased to present our Annual Report to the President and Congress. This report details the primary activities over the past fiscal year under the Commission's regulatory authority. It includes information required under the Postal Accountability and Enhancement Act of 2006 (PAEA) on the operations of the Commission, including the extent to which regulations are achieving the objectives outlined in the PAEA, and an annual estimate of the cost of the Universal Service Obligation and the value of the postal monopoly.

The Commission's oversight of the Postal Service has never been as vital as it is today. Our agency is charged with reviewing and approving Postal Service rates, reviewing formal and informal complaints, examining proposals for new products and services, providing transparency to the public on service standards, and ensuring the Postal Service complies with Title 39.

In Fiscal Year 2024, the Commission focused heavily on nationwide service performance matters due to the implications that arose from the Postal Service's implementation of its Delivering for America plan (DFA). The Commission issued critical rulemakings, notices, and reports central to our role as regulator and the health of the Postal Service. Notably, the Commission:


- Opened an inquiry into the Postal Service's internal Service Performance Measurement system for Market Dominant mail products
- Issued Show Cause Order No. 7061 directing the Postal Service to either show cause as to why an advisory opinion was not warranted for the initiatives that were implemented under its DFA plan or else file a request for an advisory opinion
- Provided testimony before the Senate Homeland Security and Governmental Affairs Committee on service performance and network changes
- Issued the Annual Compliance Determination, an in-depth evaluation of USPS service levels

In FY 2024, the Commission also approved about 700 Negotiated Service Agreements (NSAs), specialized contracts between the Postal Service and its customers and industry partners. The number of NSAs approved annually by the Commission more than doubled from FY 2023 to FY 2024 and quintupled from FY

2021 to FY 2024. The Commission handled this increased workload with under 100 total personnel in FY 2024, providing transparency and accountability of the Postal Service, which has more than 600,000 employees. The Commission looks forward to working with the Postal Service and the various stakeholders to continue its work in FY 2025.

On behalf of my fellow commissioners and the entire hard-working agency staff, I welcome the new Congress and Administration. The Commission is ready to begin a productive dialogue with each of you on ensuring the integrity of a universal mail system for years to come.

Respectfully,



Michael M. Kubayanda
Chairman

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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

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

ADAPTABILITY

Proactive Response to the Rapidly Changing Postal Environment

MERIT

Commitment to Excellence
Collegiality and Multi-disciplinary Approaches



CHAPTER I

FY 2024 AT A GLANCE



The Commission plays a critical role in the postal industry by following the statutory requirements set out by Congress. In Fiscal Year (FY) 2024, the Commission achieved noteworthy accomplishments that support its mission to ensure transparency and accountability of the U.S. Postal Service and foster a vital and efficient universal mail system. Some of the Commission’s key activities in FY 2024 include:

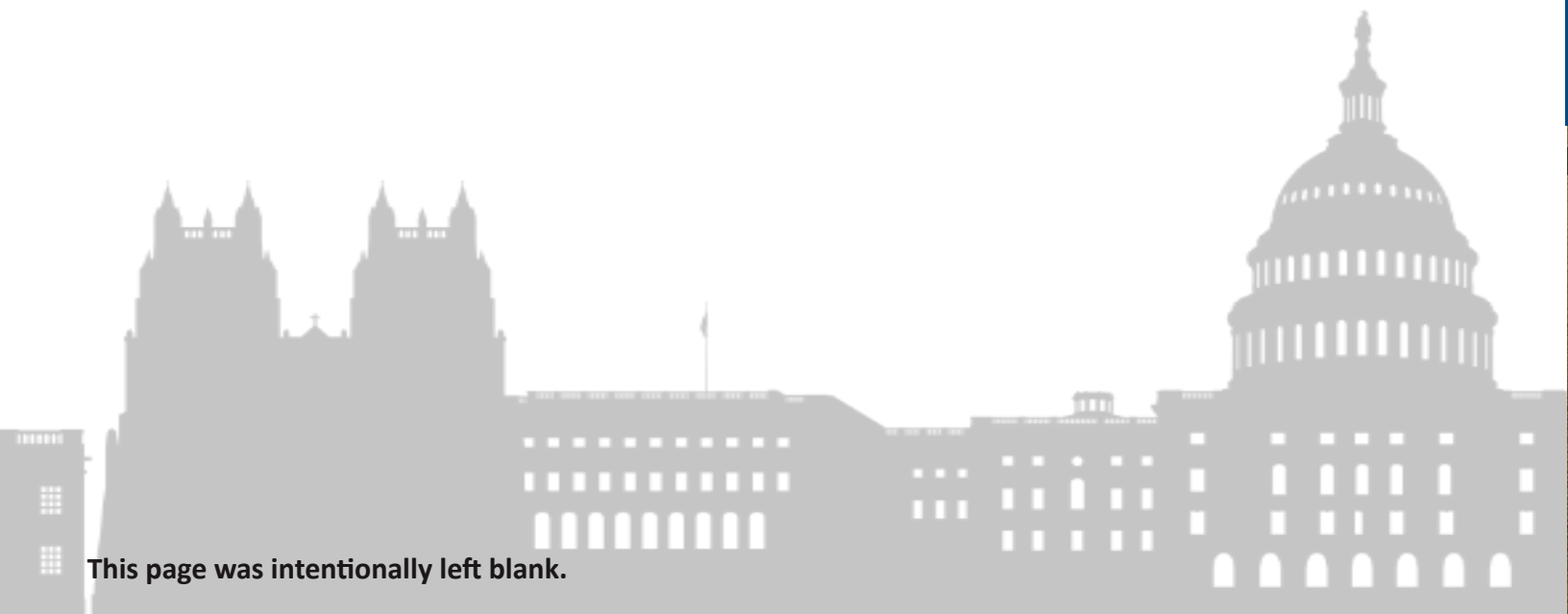
- **Providing transparency into Service Performance and Postal Service finances by:**
 - Reviewing the Postal Service’s planned changes to its processing and transportation networks associated with Delivering for America Plan
 - Initiating a rulemaking seeking comment on whether the Internal Service Performance Measurement system is producing accurate, reliable, and representative results
 - Providing Service Performance information on the Commission’s website (www.prc.gov)
 - Issuing *Annual Compliance Determination* (ACD) directives aimed at improving service performance results for Postal Service products that did not meet their service performance targets
 - Issuing reports providing comprehensive analysis of the Postal Service’s financial performance and performance goals
- **Protecting postal consumers from excessive rate increases and ensuring fair competition in competitive postal markets through:**
 - Early review of the Market Dominant ratemaking system
 - Issuing the ACD to evaluate whether any rates or fees in effect during the past fiscal year were out of compliance
 - Adjudicating two general Market Dominant Rate Cases and reviewing proposed rates for Competitive products to ensure compliance with existing regulatory and statutory requirements
 - Adopting final rules streamlining the Commission’s review of Competitive Negotiated Service Agreements (NSAs)
 - Reviewing and approving 706 NSAs and non-published rate agreements to ensure these Competitive products comply with cost coverage requirements
 - Issued proposed rules concerning rate incentives for Market Dominant products
- **Engaging with stakeholders across the postal community, including:**
 - Soliciting public comment and appointing a Public Representative to represent the general public’s interests in most proceedings

- Initiating a public inquiry docket to explore issues related to Zone 10
- Engaging with the public through other public inquiry dockets related to the classification of First-Class Package Service, postal cost attribution regulations, and suspended post offices
- Processing more than 9,900 inquiries from the general public on postal matters
- Meetings between the Commissioners and postal stakeholder groups
- Quarterly Consultations with the Postmaster General and key USPS executives
- Outreach to USPS Board of Governors to explain Commission budgetary processes and priorities
- Regular consultations with the USPS Office of Inspector General
- Engaging with the U.S. State Department to advise and assist with key international postal policy issues, including the 2023 Universal Postal Union (UPU) Extraordinary Congress

Other FY 2024 Accomplishments

The Commission's other accomplishments and achievements during FY 2024 include:

- Considering complaints filed by postal customers and proposals to change accepted analytical principles
- Continuing implementation of the Commission's 2023-2028 Strategic Plan



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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



Michael M. Kubayanda

CHAIRMAN

President Joseph R. Biden, Jr. designated Michael M. Kubayanda chairman of the Commission in January 2021. Chairman Kubayanda was reappointed to the Commission on December 9, 2021, for a second term expiring November 22, 2026, following his renomination by President Biden and second unanimous confirmation by the United States Senate. He was named vice chairman in August 2019 and served in that position through the end of 2020. Since becoming Chairman, he has worked with the Commission to launch an analytics unit and invest in IT and knowledge infrastructure, moving from on-premises equipment to the cloud while adding cybersecurity capabilities. The additional capacity has helped the Commission accelerate its use of evidence-based policymaking, enhancing the utility of information for internal analysts and outside stakeholders. Chairman Kubayanda has also encouraged engagement by the Commission with a nonpartisan group of experts. The Commission published a new a new strategic plan for 2023 – 2028 and is implementing tactics for deploying agency resources effectively. In the last four years, the number of Negotiated Service Agreements (specialized contracts between the USPS and specific customers) approved by the Commission in a year has quintupled. The Commission’s productivity demonstrates its use of increased human resources and IT capacity. Prior to joining the Commission, Chairman Kubayanda served as a board member and privacy officer for a digital health startup. He previously worked with the Office of Inspector General (OIG) of the U.S. Postal Service. At the OIG, he advocated successfully for appropriations for the OIG’s analytics platform, an interagency collaboration with other inspectors general. He also authored reports on network economics and the impact of technology and partnerships on the postal system. Prior to his work with the OIG, he served as counsel to the House Committee on Oversight and Government Reform.



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 term second 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 AND 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 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 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 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.

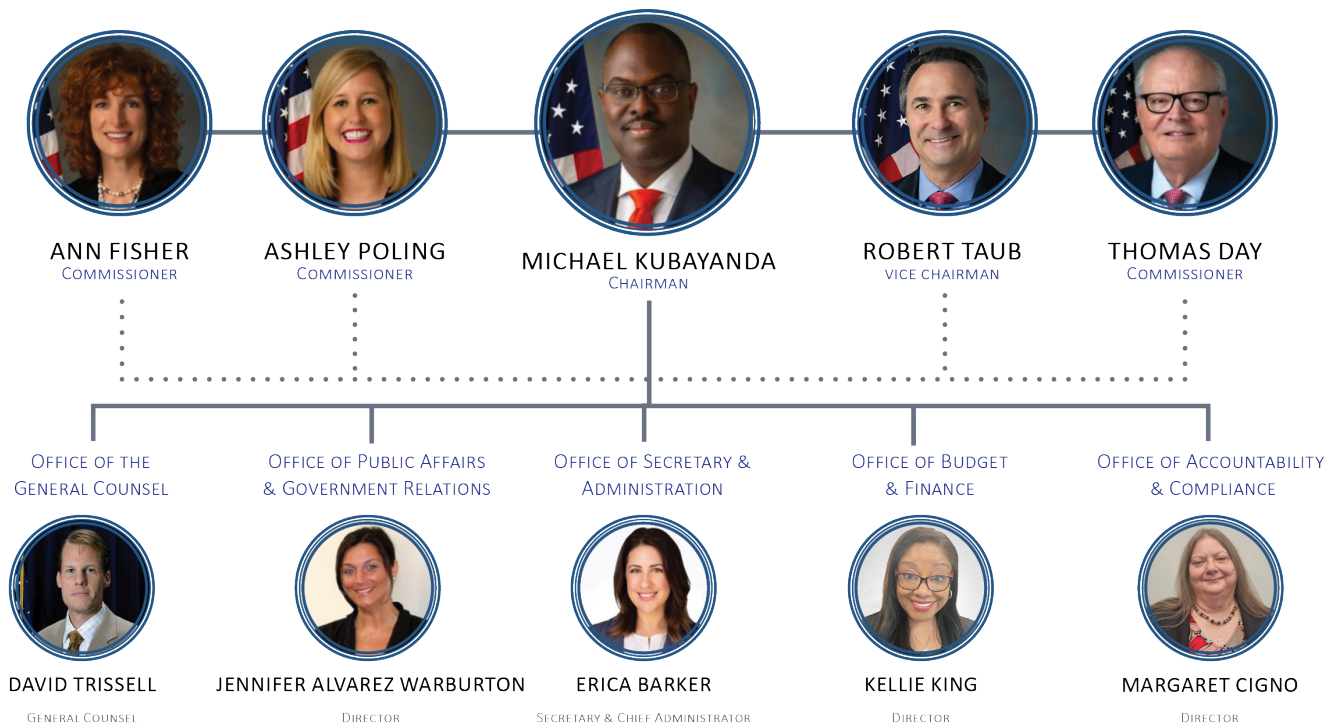
OFFICE OF PUBLIC AFFAIRS AND GOVERNMENT RELATIONS

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 SECRETARY AND 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 Structure**

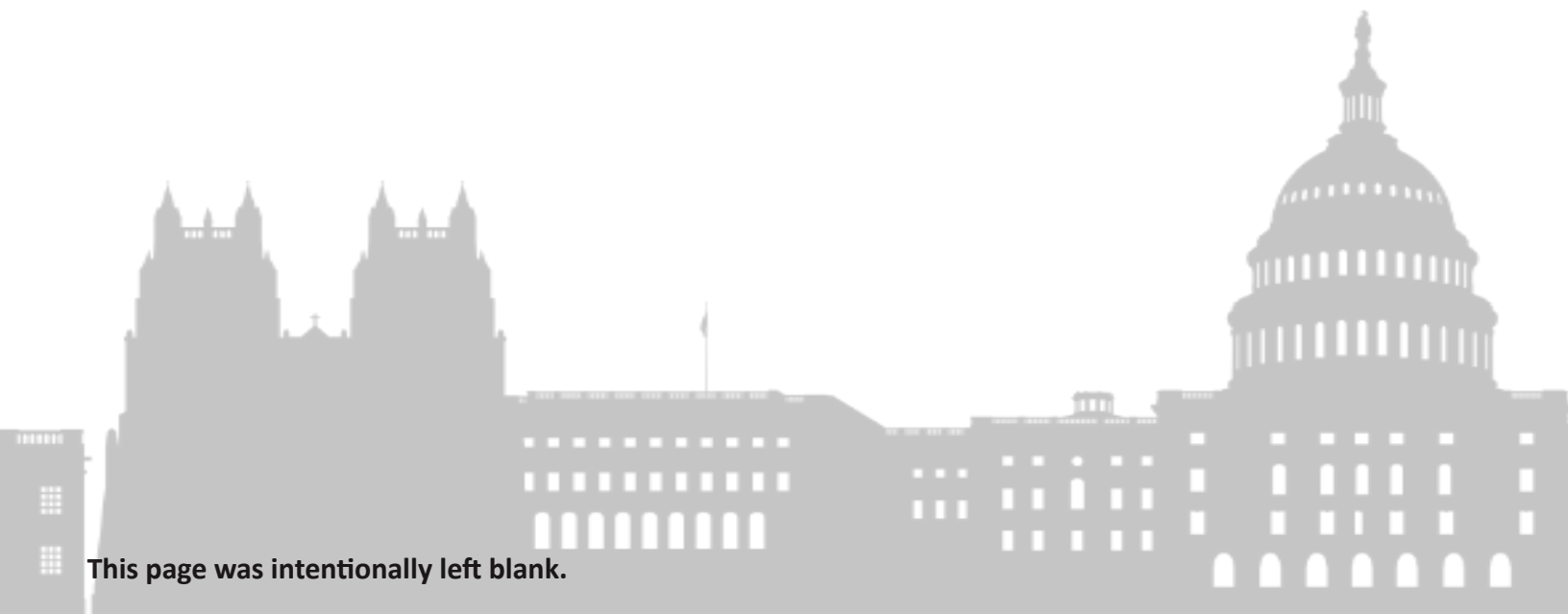


Strategic Planning and Foresight

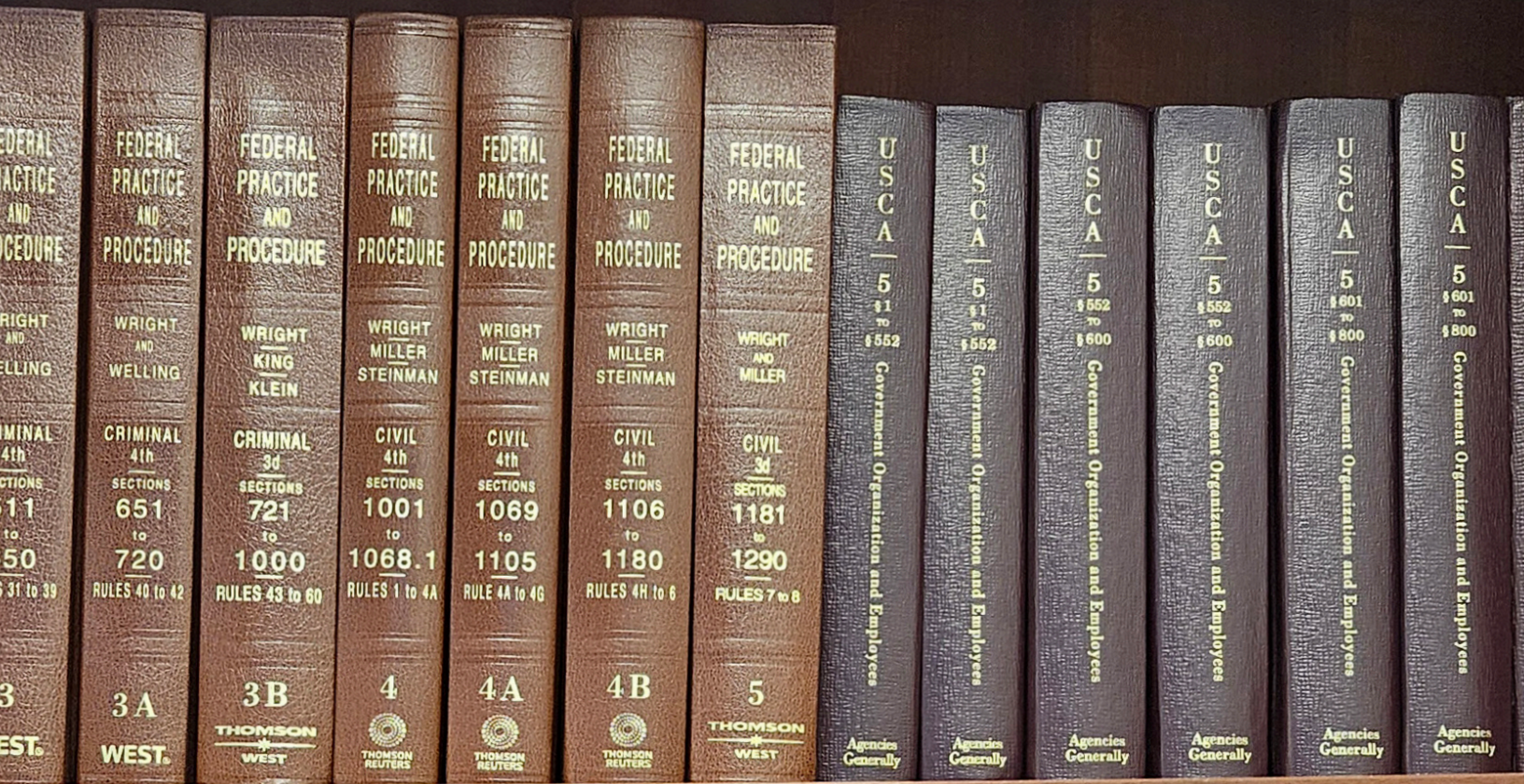
During FY 2024, the Commission entered its the second year of implementing the 2023-2028 Strategic Plan. The Strategic Plan is robust and resilient, allowing the Commission to anticipate changes to the postal system and to adapt as necessary to ensure transparency and accountability of the United States Postal Service. The Commission made significant progress in implementing the Strategic Plan, targeting key initiatives across each goal. The Commission prioritized efforts that provided a greater understanding of stakeholder needs across the postal ecosystem and that created internal, operational efficiencies to support the Commission’s workforce. Additionally, the Commission continued evolving its program management approach, through building an automated system to track and report progress against the Strategic Plan.

Below is a summary of the progress the Commission has made in implementing its strategic goals:

- The Commission conducted two foundational studies: a Stakeholder Analysis and a Regulatory Benchmarking Assessment. These initiatives provided critical insights regarding postal stakeholder needs and successful practices across the regulatory landscape. Using the outputs from those studies, the Commission also updated internal processes to increase its efficiency for completing cases and explored new opportunities for postal studies. Lastly, the Commission began developing new capabilities to identify and address emerging postal issues (e.g., Tabletop Exercises, Industry Days). Ultimately, these initiatives have allowed the Commission to better monitor changes in the postal ecosystem and ensure a responsive regulatory framework.
- To actualize findings from the Stakeholder Analysis, the Commission built a Stakeholder Communications Plan. The Communications Plan included tactical approaches for engaging with different stakeholder groups. The Commission also continued its website redesign effort, identifying key products and messages to highlight. These efforts have enhanced the Commission's ability to provide critical and relevant information to stakeholders.
- The Commission made important strides in enhancing its data management approach through launching an internal database, providing a unified, central platform for the Commission's postal data. The Commission also created the new Office of Budget and Finance to mature its financial management capabilities. Lastly, the Commission began development of a future state operating model, identifying opportunities for important product improvements. These efforts have updated the Commission's operational infrastructure, addressing critical organizational needs.
- The Commission updated onboarding processes to enhance the employee experience and launched a comprehensive assessment on its HR policies and practices to identify opportunities for improvement.



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CHAPTER III

FY 2024 REGULATORY ACTIVITIES

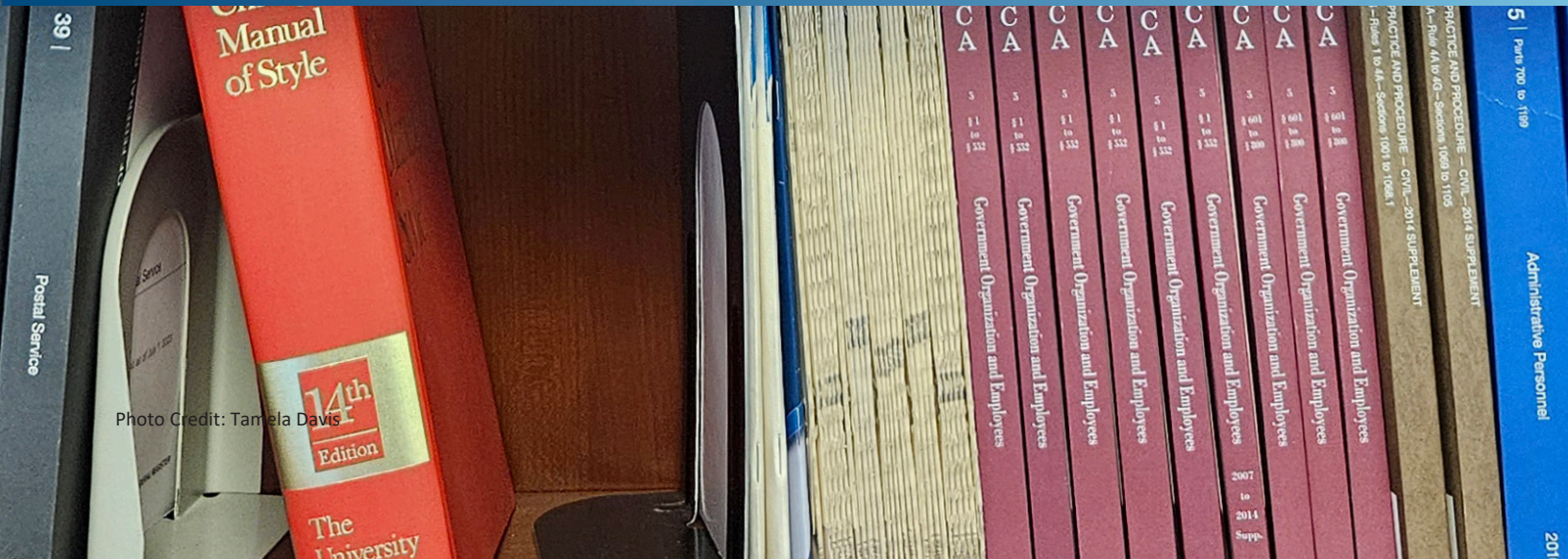
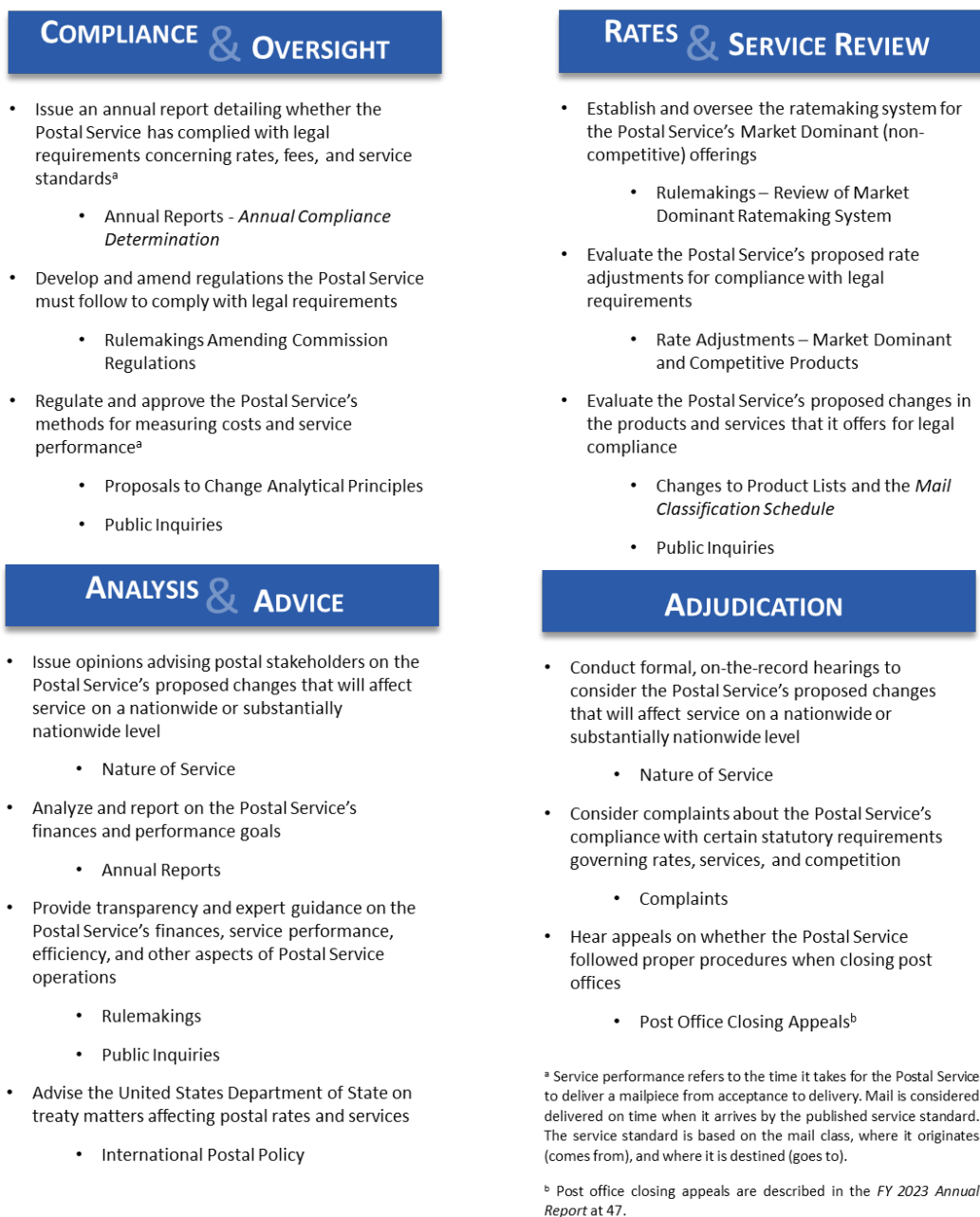


Photo Credit: Tamela Davis

This chapter describes the Commission’s major regulatory activities during FY 2024. The Commission’s role in regulating the Postal Service is limited and defined by the Postal Accountability and Enhancement Act (PAEA) and the Postal Service Reform Act of 2022.¹ The Commission’s regulatory activities are shown in Figure III-1, along with the corresponding section in this chapter.

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



1 Pub. L. 109-435, 120 Stat. 3198 (2006); Pub. L. 117-108, 136 Stat. 1127 (2022).

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.

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 2024, the Commission reviewed the Postal Service’s proposed rate adjustments for both Market Dominant and Competitive products, which are discussed below.

Market Dominant Products

Market Dominant products are divided into five mail classes as shown in Figure III-2:²



Source: 39 C.F.R. pt. 3040, subpt. A, Appendix A.

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.³ The Commission then initiates a proceeding to consider the proposed changes, appoints a Public Representative, and provides an opportunity to comment.⁴

² This section discusses rates of general applicability for Market Dominant products.

³ 39 C.F.R. § 3030.121(c)-(d).

⁴ Id. §§ 3030.124, 3030.125.

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. 6814.⁵

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

NON-COMPENSATORY PRODUCTS ^a	TYPES OF RATE AUTHORITY	WORKSHARE DISCOUNTS ^b
<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 	<ul style="list-style-type: none"> Consumer Price Index Density Retirement Obligation Non-Compensatory Classes Banked Rate Authority 	<p>The Postal Service may not:</p> <ul style="list-style-type: none"> Change discounts that are equal to avoided costs Reduce discounts that are below avoided costs Increase discounts that are above avoided costs <p>The Postal Service may:</p> <ul style="list-style-type: none"> Set discounts below or above avoided costs only under certain circumstances

^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.

Source: 39 C.F.R. pt. 3030.

The Commission analyzes the Postal Service’s proposed rate adjustments for compliance with applicable regulations, Commission directives and orders, and statutory pricing requirements related to free and reduced rates.⁶ In FY 2024, the Postal Service filed two notices proposing rate adjustments and related MCS changes for most Market Dominant products in Docket Nos. R2024-1 and R2024-2.⁷ After analyzing the record and considering comments received, the Commission issued orders concluding that the planned rate adjustments, including workshare discounts, were consistent with applicable law, and the new rates and related MCS changes became effective on January 21, 2024 and July 14, 2024.⁸

⁵ Docket No. R2024-1, Order on Price Adjustments for First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, November 22, 2023, at 3-7 (Order No. 6814).

⁶ 39 C.F.R. § 3030.126(b).

⁷ Order No. 6814 at 67; Docket No. R2024-2, 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, 2024, at 108 (Order No. 7155).

⁸ Order No. 6814 at 66-67; Order No. 7155 at 107-08.

In FY 2024, the Commission initiated a proceeding to review the Market Dominant ratemaking system. The Commission is also considering proposed changes to its regulations concerning rate incentives for Market Dominant products. These proceedings are discussed below under [Rulemakings Amending Commission Regulations](#).

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.⁹ For proposed changes to rates or classes not of general applicability, the Postal Service must provide 15 days' advance notice.¹⁰ 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.¹¹

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 products¹²
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”¹³
3. All Competitive products must collectively cover what the Commission determines to be an appropriate share of the Postal Service’s institutional costs¹⁴

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 2024, 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.

⁹ 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.*

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

¹¹ 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).

¹² 39 U.S.C. § 3633(a)(1).

¹³ 39 U.S.C. §§ 3633(a)(2), 3631(b).

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

RATES OF GENERAL APPLICABILITY

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

Figure III-4
Domestic and International Competitive Products

COMPETITIVE PRODUCTS	
<p>DOMESTIC MAIL</p> <ul style="list-style-type: none"> • Priority Mail Express • Priority Mail • Parcel Select • USPS Ground Advantage 	<p>INTERNATIONAL MAIL</p> <ul style="list-style-type: none"> • Outbound International Expedited Services • Outbound Priority Mail International • Outbound Single-Piece First-Class Package International Service • International Priority Airmail • International Surface Air Lift • International Direct Sacks—Airmail M Bags • Inbound Parcel Post (at Universal Postal Union Rates) • Inbound Letter Post Small Packets and Bulky Letters
<p style="text-align: center;">SPECIAL SERVICES</p> <ul style="list-style-type: none"> • Address Enhancement Services • Greeting Cards, Gift Cards and Stationery • Competitive Ancillary Services^a • Premium Forwarding Services • Shipping and Mailing Supplies • Post Office Box Service 	<p style="text-align: center;">SPECIAL SERVICES</p> <ul style="list-style-type: none"> • International Money Transfer Service-Inbound • International Ancillary Services^b

^a The 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. ACR2023, Annual Compliance Determination, March 28, 2024, at 57 n.80 (FY 2023 ACD).

^b The International Ancillary Services product consists of the following services: International Certificate of Mailing, Inbound International Tracked Delivery Service, Competitive International Registered Mail (which further includes Outbound Competitive International Registered Mail and Inbound Competitive International Registered Mail), Outbound International Return Receipt, Outbound International Insurance, and Customs Clearance and Delivery Fee. FY 2023 ACD at 70 n.119.

Source: 39 C.F.R. pt. 3040, subpt. A, Appendix B.

In FY 2024, 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 21, 2024.¹⁵ The Commission also reviewed and approved the Postal Service’s proposed temporary rate increases for Priority Mail Express, Priority Mail, and USPS Ground Advantage, which were effective between October 6, 2024 and January 19, 2025.¹⁶

15 Docket No. CP2024-52, Order Concerning Changes in Rates of General Applicability and Classifications for Competitive Products, December 22, 2023, at 13 (Order No. 6895).

16 Docket No. CP2024-631, Order Approving Price Adjustments for Domestic Competitive Products, October 3, 2024 (Order No. 7645).

On May 10, 2024, the Postal Service proposed increasing Parcel Select rates as a whole by 25 percent on average.¹⁷ Rates for other Competitive products would remain unchanged.¹⁸ During the proceeding, several commenters expressed concerns about the size of the increase and Parcel Select’s classification as a Competitive product.¹⁹ The Commission issued an order acknowledging that the proposed increase was consistent with applicable law, but was “alarmed by the lack of data surrounding the potential impact of these proposed price increases on the Postal Service’s customers.”²⁰ It encouraged the Postal Service to consider the concerns expressed on the record and stated it will establish a new proceeding to consider whether Parcel Select is correctly classified as a Competitive product.²¹

Also, in FY 2024, the Commission issued an order finding that the Postal Service’s proposal to establish a new Zone 10 and set associated rates for several domestic Competitive products was consistent with applicable law.²² However, it expressed concerns that the proposal “does not reflect reasoned consideration of the potential widespread effects of its proposal, is not prudent, and is not in the best interest of all stakeholders.”²³ The Commission established a public inquiry proceeding to review issues related to the appropriate classification of Zone 10 packages and potential undue or unreasonable price discrimination.²⁴ This proceeding is described below under [Public Inquiries](#).

The Commission also directed the Postal Service to “file a rulemaking proceeding proposing and supporting the methodological changes necessary to derive separate Zone 10 transportation costs for Priority Mail and USPS Ground Advantage” within 90 days.²⁵ In response, the Postal Service submitted four proposals that are described below under [Proposals to Change Analytical Principles](#).

RATES NOT OF GENERAL APPLICABILITY

Negotiated Service Agreements

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

17 Docket No. CP2024-295, USPS Notice of Changes In Rates of General Applicability for Competitive Products, May 10, 2024 (Docket No. CP2024-295, Notice).

18 Docket No. CP2024-295, Notice at 2.

19 Docket No. CP2024-295, Order Acknowledging Price Adjustments for Parcel Select, July 9, 2024 at 14-21 (Order No. 7260).

20 *Id.* at 23-24.

21 *Id.* at 2, 32.

22 Docket No. CP2024-72, Order Approving Price Adjustments and Classification Changes for Domestic Competitive Products, March 22, 2024, at 35 (Order No. 7016).

23 Order No. 7016 at 35.

24 *Id.* at 32.

25 *Id.* at 36.

Postal Service and a specific mailer that provides the mailer customized rates, fees, and/or terms of service.²⁶ Competitive NSAs require prior Commission review for compliance with 39 U.S.C. § 3633(a) and 39 C.F.R. parts 3035 and 3041.

Table III-1 shows the number of NSAs the Commission approved between FY 2020 and FY 2024. Table III-1 also shows that the number of NSAs more than doubled between FY 2023 and FY 2024.

Table III-1
Competitive NSAs Approved by the Commission, FY 2020 through FY 2024^a

COMPETITIVE NSAs		
DOMESTIC	TOTAL	INTERNATIONAL
670	FY 2024 706	36
245	FY 2023 280	35
122	FY 2022 131	9
131	FY 2021 136	5
218	FY 2020 267	49

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

Source: www.prc.gov; select Reports and Data then NSA Dashboard.

Products with non-published rates (NPRs) allow the Postal Service to enter into contracts featuring negotiated rates without prior Commission approval of each contract. NPR contracts must comply with Commission classification and regulatory requirements, including pre-approved pricing formulas, minimum cost coverage, and documentation. Because they do not require prior review, NPR contracts streamline the approval process and provide the Postal Service additional flexibility.

Table III-2 shows the number of non-published rate contracts implemented by the Postal Service between FY 2020 and FY 2024.

26 39 C.F.R. § 3010.101(f).

Table III-2
Non-Published Rate Contracts Implemented by the Postal Service,
FY 2020-FY 2024

NON-PUBLISHED RATE		
GLOBAL EXPEDITED PACKAGE SERVICES NON-PUBLISHED RATES 1-16	TOTAL	PRIORITY MAIL NON-PUBLISHED RATES 1 & 2
77	FY 2024 77	0
90	FY 2023 277	187
134	FY 2022 216	82
159	FY 2021 279	120
380	FY 2020 505	125

Source: www.prc.gov; select Reports and Data then NSA Dashboard.

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; select **Reports and Data** then **Negotiated Service Agreements Dashboard**.

In FY 2024, the Commission adopted final rules in 39 C.F.R. part 3041 that codify and revise the Commission’s practices for adding NSAs to the Competitive product list and administering them.²⁷ The purpose of this rulemaking was “to streamline Competitive NSA review, while ensuring transparency and accountability, preserving existing flexibility, and enabling a smooth transition with minimum disruption for stakeholders.”²⁸ The final rules include a default mechanism for Competitive NSA review and three options for streamlined review.²⁹

27 Docket No. RM2023-5, Final Order Amending Rules Regarding Competitive Negotiated Service Agreements, August 9, 2024 (Order No. 7353).

28 Docket No. RM2023-5, Notice of Proposed Rulemaking to Amend Rules Regarding Competitive Negotiated Service Agreements, January 30, 2024, at 40 (Order No. 6953).

29 Order No. 7353 at 4.

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.³⁰ 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 3040.³¹ 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 so that it can do any of the following without risk of losing a significant level of business to other firms offering similar products:

- Set the product’s price substantially above costs.
- Raise prices significantly.
- Decrease quality.
- Decrease output.³²

Second, a product covered by the postal monopoly may not be transferred from the Market Dominant product list.³³ Third, the Commission must consider concerns of the private sector, product users, and small businesses.³⁴ 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 above.³⁵ In FY 2024, the Commission approved the Postal Service’s request to remove International Money Transfer Service (IMTS)—Outbound and IMTS—Inbound from the Competitive product list.³⁶

30 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*.

31 39 C.F.R. pt. 3040, subpts. B, C, D.

32 39 U.S.C. § 3642(b)(1).

33 39 U.S.C. § 3642(b)(2).

34 39 U.S.C. § 3642(b)(3).

35 See 39 C.F.R. § 3040.132(c).

36 Docket No. MC2024-413, Order Approving the Removal of International Money Transfer Service—Outbound and Conditionally Approving the Removal of International Money Transfer Service—Inbound from the Competitive Product List, August 9, 2024 (Order No. 7352).

Mail Classification Schedule

The Market Dominant and Competitive product lists are published in the MCS, which also includes rates, fees, and descriptions for each product. The MCS also contains applicable size and weight limitations for mail matter as part of the description for each product.³⁷ The Postal Service may propose changes to the MCS by filing a request, which the Commission reviews for compliance with its regulations.³⁸

In FY 2024, the Commission approved the Postal Service’s proposed MCS changes concerning size limitations for international letter-post rolls for certain products.³⁹ The Commission approved the Postal Service’s request to convert the experimental product offering USPS Connect Local Mail into a permanent product offering in the MCS.⁴⁰

The MCS is available at www.prc.gov; select **Resources** then **Mail Classification Schedule**.

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[.]”⁴¹ 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.⁴²

The Commission’s rules require the Postal Service to file its request at least 90 days before the effective date of the proposed changes.⁴³ Before issuing its advisory opinion, the Commission must provide an opportunity for a formal, on-the-record hearing.⁴⁴ A procedural overview of the advisory opinion process is available on the Commission’s website, www.prc.gov, under **Advisory Opinion (N-2024-1) Updates** on the homepage.

37 39 C.F.R. § 3040.211; See 39 U.S.C. § 3682.

38 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).

39 Docket No. MC2024-224, Order Approving Changes in Size Limitations and Accompanying Material Changes to Product Descriptions Concerning the Minimum Size Limits for International Letter-Post Rolls, May 29, 2024 (Order No. 7150).

40 Docket No. MC2025-19, Order Approving Addition of USPS Connect Local Mail to the Mail Classification Schedule, December 20, 2024 (Order No. 8404).

41 39 U.S.C. § 3661(b).

42 Docket No. N2022-1, Advisory Opinion on the Service Standard Changes Associated with Retail Ground and Parcel Select Ground, June 9, 2022, at 8.

43 39 C.F.R. § 3020.112.

44 39 U.S.C. § 3661(c).

The Commission’s final 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 for an advisory opinion from the Commission regarding planned changes to its processing and transportation networks.⁴⁵ Specifically, the Postal Service plans to:

- Create a nationwide network of regional processing and distribution centers (RPDCs) and local processing centers (LPCs). RPDCs will manage the flow of mail and packages that originate or destinate in that region. LPCs will handle destinating letter, flat, and package sortation operations for certain 3-Digit ZIP Codes within a region, for dispatch to sorting and delivery centers and delivery units.
- Implement the Regional Transportation Optimization initiative. For collection/delivery facilities more than 50 miles from an RPDC, the Postal Service will drop off destinating mail and pick up originating mail on the same transportation route.
- Revise service standards for end-to-end products to align with the proposed mail processing and transportation changes. Under the proposed service standards, approximately 83 percent of Market Dominant mail volume will remain unchanged; 11 percent will be upgraded; and 6 percent will be downgraded.⁴⁶

On October 9, 2024, the Commission issued an order initiating this proceeding, establishing a procedural schedule, and appointing a presiding officer and Public Representative.⁴⁷ An on-the- record hearing to consider the proposed changes occurred on December 4, 2024.⁴⁸ This proceeding is currently pending, with an advisory opinion scheduled to be published in early 2025.

45 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).

46 Docket No. N2024-1, Request at 3, 15-16, 22, 38-40.

47 Docket No. N2024-1, Notice and Order on the Postal Service’s Request for an Advisory Opinion on Changes in the Nature of Postal Services, October 9, 2024 (Order No. 7695).

48 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).

Rulemakings Amending Commission Regulations

The Commission summarizes proposed rules on its website, www.prc.gov; click **Filing Information** then **Rule Summary**. FY 2024 rulemakings are described below.

Review of Market Dominant Ratemaking System

The PAEA requires the Commission to establish a ratemaking system for Market Dominant products and review it every 10 years to ensure it is achieving the statutory objectives while considering statutory factors.⁴⁹ The Commission previously reviewed the ratemaking system and adopted final rules via Order No. 5763.⁵⁰ Although the Commission planned to review the ratemaking system after 5 years under the new regulatory framework, it also recognized that certain conditions and circumstances could merit a review sooner.⁵¹

Since the final rules took effect on January 14, 2021, the Postal Service raised rates for Market Dominant products five times.⁵² Market Dominant volume and pieces have declined year-over-year, and stakeholders have raised concerns about the effects of the ratemaking system, including: the magnitude and frequency of rate increases, Market Dominant mail volume declines, service performance, and the Postal Service's financial stability.⁵³ These stakeholder concerns prompted the Commission to initiate another review of the Market Dominant ratemaking system.⁵⁴ On April 5, 2024, the Commission issued an advance notice of proposed rulemaking seeking comments to facilitate its review.⁵⁵ The Commission is currently reviewing the public comments.

Internal Service Performance Measurement System

The Postal Service uses the Internal Service Performance Measurement (SPM) system to generate data to report service performance results for products within domestic First-Class Mail, Periodicals, USPS Marketing Mail, and Package Services.⁵⁶ Internal SPM divides service performance measurement into three segments: First Mile, Processing Duration, and Last Mile.⁵⁷ Given recent changes in

49 39 U.S.C. § 3622(a)-(c), (d)(3).

50 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). The final rules are summarized in the FY 2021 Annual Report. Postal Regulatory Commission, *Annual Report to the President and Congress*, Fiscal Year 2021, January 25, 2022, at 18-21.

51 See Order No. 5763 at 31, 267.

52 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, at 10-18 (Order No. 7032).

53 Order No. 7032 at 19-23.

54 *Id.* at 23.

55 *Id.* at 23-25.

56 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).

57 Order No. 7247 at 13.

operations and mail mix, the Commission expressed concerns “about the continued validity of the design and implementation of each of these three systems, as well as how the systems function collectively as a whole.”⁵⁸ Thus, on July 2, 2024, the Commission established Docket No. RM2024-9 and issued an advance notice of proposed rulemaking seeking comment on whether Internal SPM is producing accurate, reliable, and representative results.⁵⁹

The contours of Internal 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.⁶⁰ As previously discussed, the Postal Service filed a request for an advisory opinion from the Commission regarding planned changes to its processing and transportation networks. See Nature of Service above. To implement these changes, the Postal Service proposed revisions to the SPM Plan, which the Commission is currently considering in Docket No. RM2024-9.⁶¹ It sought comments on these proposed revisions, and this rulemaking is currently pending.

Competitive Negotiated Service Agreements

Effective September 19, 2024, the Commission adopted final rules in 39 C.F.R. part 3041 that codify and revise the Commission’s practices for adding NSAs to the Competitive product list and administering them.⁶² The purpose of this rulemaking was “to streamline Competitive NSA review, while ensuring transparency and accountability, preserving existing flexibility, and enabling a smooth transition with minimum disruption for stakeholders.”⁶³ The final rules include a default mechanism for Competitive NSA review and three options for streamlined review.⁶⁴

58 *Id.* at 20.

59 *Id.* at 41-42.

60 *Id.* at 11; 39 C.F.R. § 3055.5.

61 Docket No. RM2024-9, Notice and Order Regarding Consideration of Proposed Modifications to Service Performance Measurement Plan for Market Dominant Products and Related Design Document, October 23, 2024, at 3-4 (Order No. 7793); Docket No. N2024-1, Notice and Order Regarding Consideration of Proposed Modifications to Service Performance Measurement Plan for Market Dominant Products and Related Design Document, October 23, 2024, at 1 (Order No. 7794).

62 Order No. 7353; *see* Competitive Postal Products, 89 Fed. Reg. 67,292 (Aug. 20, 2024) (codified at 39 C.F.R. pts. 3000, 3010, 3040, 3041).

63 Order No. 6953 at 40.

64 Order No. 7353 at 4.

Freedom of Information Act

Effective September 9, 2024, the Commission adopted amendments to its Freedom of Information Act (FOIA) regulations.⁶⁵ The final rules: improve readability and clarity for the public; better align the Commission's existing FOIA regulations with the practices of other agencies subject to the FOIA; and help the Commission administer the FOIA program more efficiently.⁶⁶

Rate Incentives for Market Dominant Products

On September 20, 2024, the Commission issued a second supplemental notice of proposed rulemaking seeking comment on proposed amendments to its rules concerning rate incentives for Market Dominant products.⁶⁷ The proposed rules would create a mechanism allowing certain rate incentives that are not rates of general applicability to be included in the percentage change in rates calculation.⁶⁸ They would also: delete the criterion requiring a rate incentive to be available to all mailers on the same terms and conditions to be included in the percentage change in rates calculation; update filing requirements; and make other clarifying and conforming changes.⁶⁹ This rulemaking is currently pending.

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 30.⁷⁰ The ACR contains data on costs, revenues, rates, and quality of service for Market Dominant and Competitive products.⁷¹ It also includes information about mail volumes, service performance, customer satisfaction, workshare discounts, market tests, and non-postal services.⁷²

The Commission then analyzes information filed in the ACR and issues three major reports. First, the Annual Compliance Determination (ACD) assesses the Postal Service's compliance with statutory pricing and service requirements. Second, the Financial Analysis Report analyzes the Postal Service's overall financial position. Third, the Analysis of Postal Service Performance Goals and

65 Docket No. RM2024-5, Order Adopting Final Rules Regarding the Freedom of Information Act, August 2, 2024 (Order No. 7331); see Freedom of Information Act, 89 Fed. Reg. 65,205 (Aug. 9, 2024) (codified at 39 C.F.R. pt. 3006).

66 Order No. 7331 at 1.

67 Docket No. RM2020-5, Second Supplemental Notice of Proposed Rulemaking to Amend Rules Regarding Rate Incentives for Market Dominant Products, September 20, 2024 (Order No. 7559).

68 Order No. 7559 at 1.

69 *Id.* at 1-2.

70 39 U.S.C. § 3652(a).

71 39 U.S.C. § 3652(a)(1).

72 39 U.S.C. § 3652(a)(2), (b), (c); 39 U.S.C. § 3705(a)(1).

Performance Plan evaluates whether the Postal Service met its performance goals and makes related recommendations. In FY 2024, each report was issued in Docket No. ACR2023 and is described below. These reports are available at www.prc.gov; select **Reports and Data** then **PRC Reports**.

ACD highlights summarizing key findings in charts are also available on the [Commission's website](#) by clicking **Reports and Data** then **ACD 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.⁷³ The Commission publishes its analysis of the ACR in the ACD.

The Commission issued the FY 2023 ACD on March 28, 2024, and made several principal findings and directives, which are shown in Figure III-5 below.

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

**Figure III-5
FY 2023 ACD Principal Findings and Corresponding Directives**

MARKET DOMINANT RATE & FEE COMPLIANCE	
<p>FINDINGS</p> <ul style="list-style-type: none"> All rates increases implemented and workshare discounts effective in FY 2023 complied with applicable legal requirements. 	<p>DIRECTIVES</p> <ul style="list-style-type: none"> The Postal Service must bring any current workshare discounts that do not comply with relevant regulations based on the new FY 2023 avoided costs into compliance in the next Market Dominant rate adjustment.
MARKET DOMINANT NON-COMPENSATORY CLASSES & PRODUCTS	
<p>FINDINGS</p> <ul style="list-style-type: none"> The Postal Service lost \$1.34 billion in FY 2023 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 rise, and slight increases in unit revenue are not enough to mitigate cost increases and improve cost coverage. Other non-compensatory products were: <ul style="list-style-type: none"> USPS Marketing Mail Flats USPS Marketing Mail Carrier Route Media Mail/Library Mail 	<p>DIRECTIVES</p> <ul style="list-style-type: none"> The Postal Service must increase the price for USPS Marketing Mail Flats, USPS Marketing Mail Carrier Route, and Media Mail/Library Mail by at least 2 percentage points above the class average in each generally applicable Market Dominant rate proceeding.
COMPETITIVE PRODUCTS	
<p>FINDINGS</p> <ul style="list-style-type: none"> Every Competitive domestic product with rates of general applicability covered its attributable cost as required by 39 U.S.C. § 3633(a)(2). Revenues for four Competitive international products with rates of general applicability did not cover attributable costs as required by 39 U.S.C. § 3633(a)(2).^a The Postal Service's Interagency Agreements^b provided a net contribution to the Postal Service as required by 39 U.S.C. § 3704. 	<p>DIRECTIVES</p> <ul style="list-style-type: none"> The Postal Service must take corrective actions for the Competitive products that did not cover attributable costs.

^a These products are Inbound Parcel Post, International Surface Air Lift, IMTS—Outbound, and Competitive International Ancillary Services.

^b Interagency Agreements are Postal Service agreements with other government agencies for providing non-postal products.

Source: FY 2023 ACD at 1-2, 8, 19, 28, 54, 57, 66, 68, 70, 72, 87.

With respect to service performance, the Commission evaluated each Market Dominant product by comparing the percentage of mailpieces that achieve the stated service standard with targets the Postal Service sets.⁷⁴ It found that:

- Most Market Dominant products/categories (15 out of 27) failed to meet their service performance targets. Half of Market Dominant products (11 out of 22) were non-compliant.
- FY 2023 marks the 9th year in a row that more than 48 percent of Market Dominant products/categories failed to meet their targets.
- 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.⁷⁵

The Commission expressed concern that the Postal Service was unable to address key issues impacting service performance, including low employee availability, high employee turnover, transportation challenges, and operational changes implemented from the DFA Plan.⁷⁶ The Commission was also concerned that the operational and sample data used for the Internal SPM may not fully capture the current nationwide service issues.⁷⁷

For the products that did not meet targets in FY 2023, the Commission directed the Postal Service to improve service performance results and take corrective action to achieve the applicable on-time percent target level in FY 2024.⁷⁸ It developed specific directives designed to increase transparency and elicit data regarding the steps the Postal Service must take to restore service performance for non-compliant products in FY 2024.⁷⁹ These directives included continued Postal Service reporting of specific information developed from its internal metrics within 90 days after the FY 2023 ACD was issued and as part of the FY 2024 ACR.⁸⁰

Financial Analysis

The Commission issued its Financial Analysis of the United States Postal Service Financial Results and 10-K Statement for FY 2023 on June 17, 2024.⁸¹ The report provided comprehensive analysis of the Postal Service's financial performance primarily using information reported in its FY 2023 Form

74 FY 2023 ACD at 94.

75 *Id.* at 2, 88-89.

76 *Id.* at 89-90.

77 *Id.* at 90.

78 *Id.* at 113.

79 *Id.*

80 *Id.*

81 Docket No. ACR2023, Financial Analysis of United States Postal Service Financial Results and 10-K Statement, Fiscal Year 2023, July 17, 2024 (FY 2023 Financial Analysis).

10-K and its FY 2023 Integrated Financial Plan.⁸² The Commission found that in FY 2023, the Postal Service’s financial position worsened, recording a net operating loss of \$2.3 billion compared to a net loss of \$473 million in FY 2022.⁸³ The net operating loss increased because operating expenses rose by \$2.1 billion despite total mail volume decreasing by 8.7 percent.⁸⁴

When Non-Operating Expenses are included,⁸⁵ the Postal Service recorded a net loss of \$6.5 billion.⁸⁶ The Postal Service has not produced an operating profit in the last 7 fiscal years and has not had a positive net income since FY 2006.⁸⁷ These continuing losses have negatively impacted the Postal Service’s financial position, creating a substantial gap between the Postal Service’s assets and liabilities.⁸⁸

Also, the Commission found that at the end of FY 2023:

- The Postal Service recorded total assets of \$45.3 billion and total liabilities of \$68.4 billion.
- Operating revenue was \$78.4 billion, which was \$0.2 billion lower than FY 2022.
- Total expenses increased by \$5.8 billion (7.3 percent).
- Labor costs accounted for 74.2 percent of the Postal Service’s total expenses.
- Total workhours decreased by approximately 28 million, which was the second year in a row that workhours decreased.⁸⁹

The Commission maintains a public dashboard providing a snapshot of the Postal Service’s finances. It is available at www.prc.gov; select **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.⁹⁰ The Commission may also provide the Postal Service with recommendations related to protecting or promoting public policy objectives in Title 39.⁹¹

82 FY 2023 Financial Analysis at 4.

83 *Id.* at 1.

84 *Id.*

85 Non-operating expenses include all non-cash workers’ compensation costs, accruals to retirement accounts, and one-time adjustments.

86 *Id.*

87 *Id.* At 2.

88 *Id.*

89 *Id.* at 2-3, 11-12, 16.

90 39 U.S.C. § 3653(d).

91 *Id.*

The Commission issued a detailed analysis of the Postal Service’s progress during FY 2023 toward its four performance goals: (1) High-Quality Service, (2) Excellent Customer Experience, (3) Safe Workplace and Engaged Workforce, and (4) Financial Health.⁹² The Commission found that the Postal Service did not meet any of the goals in FY 2023.⁹³ 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.⁹⁴

Public Inquiries

The Commission initiates public inquiry dockets to provide a venue to explore issues of general interest. Several public inquiries were before the Commission in FY 2024, which are described below.

Delivering for America Plan

In FY 2023, the Commission established Docket No. PI2023-4 to examine the recent and planned network changes associated with the Postal Service’s Delivering for America strategic plan (DFA Plan).⁹⁵ Since then, the Postal Service has introduced and begun implementing new DFA initiatives, including an overhaul of its processing and delivery network, local transportation optimization, and logistics career insourcing.⁹⁶ The Commission observed that nationwide service performance has declined substantially as the Postal Service has implemented these network changes.⁹⁷ It stated “it has become increasingly apparent that the operational changes to be implemented by the Postal Service nationwide may result in significant service changes over a broad area of the country.”⁹⁸

Accordingly, on April 26, 2024, the Commission issued an order directing the Postal Service to either show cause within 20 days as to why an advisory opinion is not warranted for the recent DFA Plan initiatives being implemented, or else file a request for an advisory opinion within 40 days of the order.⁹⁹ On May 16, 2024, the Postal Service filed a response opposing the show cause order, but stating it is actively considering the scope and contents for an advisory opinion request.¹⁰⁰ The Postal Service subsequently filed a request for an advisory opinion from the Commission regarding planned changes to its processing and transportation networks, which is discussed above under [Nature of Service](#).

92 Docket No. ACR2023, Analysis of the Postal Service’s FY 2023 Annual Performance Report and FY 2024 Performance Plan, July 2, 2024 (FY 2023 Analysis).

93 *Id.* at 4.

94 *Id.* at 26-121.

95 Docket No. PI2023-4, Notice and Order Initiating Public Inquiry Associated with the Delivering for America Plan, April 20, 2023 (Order No. 6488).

96 Docket No. PI2023-4, Order Directing Postal Service to Show Cause or File a Nature of Service Proceeding Regarding Certain Delivering for America Initiatives, April 26, 2024, at 3-6 (Order No. 7061).

97 Order No. 7061 at 10-12.

98 *Id.* at 12.

99 *Id.* at 14.

100 Docket No. PI2023-4, United States Postal Service Response to the Order to Show Cause Regarding Certain Delivering for America Initiatives (Order No. 7061), May 16, 2024, at 3-5, 29-31.

Zone 10

Currently, package rates for Priority Mail Express, Priority Mail, and USPS Ground Advantage are charged based on weight and zone.¹⁰¹ For packages mailed within the United States, a package is assigned Zone 1-8 based on the distance the package must travel to reach its destination.¹⁰² In FY 2024, the Postal Service filed a notice seeking to establish a new Zone 10 for Priority Mail Express, Priority Mail, and USPS Ground Advantage, along with associated Zone 10 rates.¹⁰³ The rates would apply to certain packages mailed to Alaska, Hawaii, or U.S. territories.¹⁰⁴ In Order No. 7016, the Commission found the proposed changes consistent with applicable law, but identified numerous concerns with the Postal Service’s proposal.¹⁰⁵

To explore specific issues it identified in Order No. 7016, the Commission established Docket No. PI2024-2 to appoint and direct a presiding officer to serve as an investigator to explore whether (1) Zone 10 packages should be classified as Market Dominant or Competitive under 39 U.S.C. § 3642; and (2) implementing Zone 10 rates would violate 39 U.S.C. § 403(c), which prohibits the Postal Service from making “any undue or unreasonable discrimination among [mail users]” when establishing classifications, rates, and fees.¹⁰⁶ This proceeding is currently pending.

Other Public Inquiry Proceedings

In Docket No. PI2024-1, the Commission reviewed and approved the Postal Service’s proposed changes to the SPM Plan related to Single-Piece First-Class Mail.¹⁰⁷ Several other public inquiry proceedings that were before the Commission in FY 2024 dealt with matters related to the classification of First-Class Package Service, postal cost attribution regulations, and suspended Post Offices. These proceedings were described in the FY 2023 Annual Report at 36-39.

101 Docket No. PI2024-2, Notice and Order Initiating Public Inquiry Concerning Zone 10 Consistency with 39 U.S.C. 403(c) and 3642, March 22, 2024, at 2 (Order No. 7017).

102 *Id.*

103 Docket No. CP2024-72, USPS Notice of Changes in Rates and Classifications of General Applicability for Competitive Products, November 22, 2023 (Docket No. CP2024-72, Notice).

104 The proposed new Zone 10 and associated rates would apply to (1) packages originating in the lower 48 States and destined to Alaska, Hawaii, or the U.S. territories (which include Puerto Rico, the U.S. Virgin Islands, and territories in the Pacific, including Guam and American Samoa); (2) packages originating in Alaska and destined to Hawaii or the U.S. territories; (3) packages originating in Hawaii or a territory in the Pacific Ocean and destined to Alaska, Puerto Rico, or the U.S. Virgin Islands; and (4) packages originating in Puerto Rico or the U.S. Virgin Islands and destined to Alaska, Hawaii, or a territory in the Pacific Ocean. Docket No. CP2024-72, Notice at 2-3. They would not apply to packages that originate in Alaska, Hawaii, or the U.S. territories and are destined to the lower 48 States. *Id.* at 4.

105 Order No. 7016 at 2-4. This order was discussed above under [Rate Adjustments – Competitive Products](#).

106 Order No. 7017 at 6-8; 39 U.S.C. § 403(c).

107 Docket No. PI2024-1, Order Approving Modifications to Service Performance Measurement Plan for Market Dominant Products and Related Measurement Changes, May 7, 2024 (Order No. 7084). The SPM Plan is described above under [Rulemakings Amending Commission Regulations – Internal Service Performance Measurement Systems](#).

Proposals to Change Analytical Principles

As previously discussed, each year the Postal Service reports data on costs, revenues, rates, and quality of service for Market Dominant and Competitive products in the ACR. See Annual Reports above. When preparing the ACR and other reports, the PAEA requires the Postal Service to use accepted analytical principles.¹⁰⁸ Analytical principles are economic, mathematical, or statistical theories, precepts, or assumptions.¹⁰⁹ 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.¹¹⁰

To add or change an accepted analytical principle, any interested person, including the Postal Service or a Public Representative, may submit a petition asking the Commission to initiate a proceeding to consider proposed changes.¹¹¹ 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.¹¹²

During FY 2024, the Commission considered 12 Postal Service proposals to change various accepted analytical principles. The Commission approved 5 proposals to:

- Update and improve the methodology for calculating attributable city carrier, letter route, street time costs.¹¹³
- Update the methodology for calculating rural carrier attributable costs to account for the new rural carrier route evaluation system (with one modification).¹¹⁴
- Modify the Parcel Select/Parcel Return Service mail processing and transportation cost models.¹¹⁵
- Improve the methodology for calculating workshare discount passthrough percentages for dropshipped, flat-shaped USPS Marketing Mail pieces.¹¹⁶

108 39 U.S.C. § 3652(a)(1); 39 C.F.R. § 3050.10.

109 39 C.F.R. § 3050.1(c).

110 39 C.F.R. §§ 3050.1(a).

111 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.*

112 39 C.F.R. §§ 3050.1(e), 3050.11(a).

113 Docket No. RM2022-3, Order Approving Analytical Principles Used in Periodic Reporting (Proposal One), August 26, 2024 (Order No. 7411).

114 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).

115 Docket No. RM2023-10, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Five), November 16, 2023 (Order No. 6798).

116 Docket No. RM2024-3, Order Approving Analytical Principles Used in Periodic Reporting (Proposal One), March 12, 2024 (Order No. 7001). 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.

- Improve unit mail processing cost estimates for First-Class Mail by expanding the use of Mail.dat information and improve workshare cost-avoidance estimates within the First-Class Mail cost-avoidance model.¹¹⁷

Also, the Commission approved three proposals for implementing methodological changes necessary to adjust Priority Mail transportation costs by zone, to introduce a procedure for reporting USPS Ground Advantage NSA costs, and to derive separate Zone 10 transportation costs for Priority Mail and USPS Ground Advantage.¹¹⁸

The Commission rejected the Postal Service’s proposed changes to the mail processing and destination entry cost models for letter-shaped USPS Marketing Mail pieces to account for recent price structure changes because applicable legal requirements were not satisfied.¹¹⁹

Three proposals are 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.¹²⁰
- Develop procedures for estimating the revenues and costs associated with interagency agreements.¹²¹
- Introduce new methodological changes for developing, attributing, and distributing Cost Segment 2 costs relating to supervisor and technical personnel.¹²²

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 39.¹²³ Within 90 days after receiving a complaint, the Commission must issue an order that either

117 Docket No. RM2024-10, Order on Analytical Principles Used in Periodic Reporting (Proposal Four), October 7, 2024 (Order No. 7663).

118 Docket No. RM2023-9, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Four), November 2, 2023 (Order No. 6771); Docket No. RM2024-7, Order on Analytical Principles Used in Periodic Reporting (Proposal Two), August 8, 2024 (Order No. 7347); Docket No. RM2024-8, Order on Analytical Principles Used in Periodic Reporting (Proposal Three), September 26, 2024 (Order No. 7598).

119 Docket No. RM2023-11, Order on Analytical Principles Used in Periodic Reporting (Proposal Six), August 20, 2024, at 14, 18 (Order No. 7391).

120 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.

121 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).

122 Docket No. RM2024-1, Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Seven), November 8, 2023, at 1.

123 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.*

(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.¹²⁴ The Commission’s rules governing complaints are codified in 39 C.F.R. part 3022.

The Commission considered several complaints in FY 2024.

- The Commission dismissed a complaint an individual filed challenging the Postal Service’s decision to terminate delivery of oversized packages to his door.¹²⁵
- The Commission initiated limited formal proceedings and appointed presiding officers for two complaints regarding (1) the Postal Service’s treatment of mail items for the blind for international mailers¹²⁶ and (2) the Postal Service’s classification of a four-building property as a dormitory rather than an apartment community.¹²⁷
- The Commission is considering a complaint disputing the ongoing suspension of mail delivery to a community due to concerns about loose dogs and mail carrier safety.¹²⁸

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.¹²⁹ In FY 2023, the D.C. Circuit issued two decisions favoring the Commission.

First, United Parcel Service, Inc. (UPS) challenged the Commission’s final order related to the appropriate share requirement in 39 U.S.C. § 3633(a)(3).¹³⁰ The D.C. Circuit denied UPS’s petition for review, finding that the Commission’s order was “reasonable and reasonably explained.”¹³¹ The D.C. Circuit held that “[t]he Commission addressed the court’s concerns in [the court’s prior decision] and offered discernable and detailed explanations for its conclusions. Its choices in rejecting UPS’ challenges appear logical and permissible under the [Postal Accountability and Enhancement]

124 39 U.S.C. § 3662(b); 39 C.F.R. § 3022.30(a).

125 Docket No. C2023-6, Order Granting the Motion for Leave to Reply, Overruling the Complainant’s Exceptions, Adopting the Presiding Officer’s Intermediate Decision, and Dismissing with Prejudice the Complaint of Mark Allan Edwards, September 19, 2024 (Order No. 7552); see *FY 2023 Annual Report* at 45.

126 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); see Docket No. C2024-13, Presiding Officer’s Ruling Establishing Procedural Schedule and Additional Case Management Procedures, November 1, 2024.

127 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).

128 Docket No. C2024-22, Complaint of County Downe Owners Association, September 19, 2024.

129 39 U.S.C. § 3663.

130 See *United Parcel Serv., Inc. v. Postal Regul. Comm’n*, 96 F.4th 422 (D.C. Cir. 2024). This order was described in the *FY 2023 Annual Report* at 27.

131 96 F.4th at 429.

Act.”¹³² The Court deferred to the Commission’s “expert understanding of the Postal Service’s costs and operations[.]” recognizing that “Congress vested postal ratemaking authority in the Commission out of a desire to harness the educated and politically insulated discretion of experts,” and has been reluctant to interfere with the Commission’s judgments related to postal costing and ratemaking.¹³³

Second, UPS challenged the Commission’s order denying UPS’s petition to initiate rulemaking proceedings for estimating peak season costs for Competitive products.¹³⁴ The D.C. Circuit denied UPS’s appeal, finding that the Commission acted reasonably and adequately explained its rationale for denying UPS’s petition.¹³⁵

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).¹³⁶ 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.¹³⁷ 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.¹³⁸

In FY 2024, the Commission served in an advisory capacity to the U.S. Department of State in the formulation of U.S. Government positions in the UPU. These positions mainly related to ongoing work on remuneration and product development for all international mail products and UPU reform towards the achievement of U.S. international postal policies in 39 U.S.C. § 407(a). In particular, the Commission worked closely with the U.S. Department of State and other agencies to formulate U.S. Government positions on proposals that will be considered at the UPU Congress, which will take place in September 2025 in Dubai, United Arab Emirates.

The Commission 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

132 *Id.* (citations omitted).

133 *Id.* at 426, 428.

134 *See United Parcel Serv., Inc. v. Postal Regul. Comm’n*, 112 F.4th 1122 (D.C. Cir. 2024).

135 112 F.4th at 1127-29, 1131.

136 39 U.S.C. § 407(b)(1).

137 *Id.* § 407(c)(1).

138 *Id.* § 407(c)(2).

sector of the Americas region that ensure efficient, quality services in fulfillment of a Universal Service Obligation. In addition, the Commission participated in the Federal Advisory Committee on International Postal and Delivery Services chaired by the U.S. Department of State.



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
7. An enforcement mechanism.¹³⁹

The postal monopoly is the Postal Service’s exclusive right to carry and deliver certain types of mail and deposit mail into mailboxes.¹⁴⁰ 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, 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.¹⁴¹

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

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

141 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:¹⁴²

- 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. Table IV-1 illustrates the estimated USO Cost for the last 5 fiscal years, FY 2019 through FY 2023.¹⁴³ Components of the USO are discussed individually below.

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

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Postal Services to Areas of the Nation the Postal Service Would Not Otherwise Serve	906	853	826	765	760
Estimated Revenue Not Received Due to Free or Reduced Rates	1,845	1,797	2,034	1,964	1,895
Other Public Services or Activities	3,561	3,353	3,323	3,167	3,131
TOTAL	6,312	6,003	6,184	5,896	5,785

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

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.¹⁴⁴

142 39 U.S.C. § 3651(b)(1).

143 At the time the *FY 2024 Annual Report* was prepared, the most currently available complete data were from FY 2023.

144 See 39 U.S.C. § 3651(b)(2).

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)[.]¹⁴⁵

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 2019 through FY 2023.

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 2019 and FY 2023. 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 2023	FY 2022	FY 2021	FY 2020	FY 2019
Maintaining Small Post Offices ^a	744	700	663	610	590
Alaska Air Subsidy	141	133	142	136	135
Group E Post Office Boxes	22	20	21	20	35
TOTAL	906	853	826	765	759

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

^a The Maintaining Small Post Offices' cost figures are higher than previous Annual Reports due to updates and refinements described in Table IV-3.

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 postal operations, have ready access to essential postal services.”¹⁴⁶ The Postal Service uses Cost

¹⁴⁵ 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).

¹⁴⁶ 39 U.S.C. § 403(b)(3).

Ascertainment Group (CAG) classifications A to L to categorize Post Offices based on the revenue generated.¹⁴⁷ Small Post Offices are those that fall within CAG K and L classifications.¹⁴⁸

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 Mail Count 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.¹⁴⁹

Table IV-2 lists the estimated costs of maintaining small Post Offices from FY 2019 through FY 2023. 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.¹⁵⁰

Table IV-3 disaggregates the costs of maintaining small Post Offices by component and illustrates the recent large shifts among these components. The clerks' and Postmasters' costs for the 5-year period in Table IV-3 are higher than previous Annual Reports due to two changes in the calculations: cost data from the National Consolidated Trial Balance are used, and clerk piggyback costs are added to the clerks' salary costs.¹⁵¹ Rural carrier delivery services and PO Box revenues forgone in Table IV-3 are also higher than previous Annual Reports due to the updating of the current number of PO Boxes used to calculate these costs. Additionally, rural carriers providing retail services costs are lower than figures shown in previous Annual Reports due to the current lower number of estimated retail visits used to calculate costs.¹⁵²

147 Docket No. RM2015-19, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Ten), November 24, 2015, at 1 n.2 (Order No. 2837).

148 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).

149 The Rural Mail Count classifies all 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.

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

151 Piggyback costs augment labor cost estimates by adding the costs associated with supervisors and administration, service-wide benefits, along with facility-related and equipment-related costs. See Docket No. ACR2023, Library Reference USPS-FY23-24, December 29, 2023, PDF file "USPS-FY23-24. Preface.pdf", at 1; Docket No. PI2021-1, Responses of the United States Postal Service to Questions 1-3 of Chairman's Information Request No. 1, September 24, 2021, question 3. (Docket No. PI2021-1, Response to CHIR No. 1); Docket No. PI2021-1, Responses of the United States Postal Service to Questions 1-2 of Chairman's Information Request No. 3, June 16, 2022, question 2 (Docket No. PI2021-1, Response to CHIR No. 3); Docket No. PI2021-1, Responses of the United States Postal Service to Questions 1-2 of Chairman's Information Request No. 4, April 6, 2023, question 2 (Docket No. PI2021-1, Response to CHIR No. 4); Docket No. PI2021-1, Responses of the United States Postal Service to Chairman's Information Request No. 5, October 1, 2024, question 2 (Docket No. PI2021-1, Response to CHIR No. 5).

152 The Postal Service states that "[t]he ratio of retail transactions per retail revenue dollar declined 68 percent from 0.552 to 0.176 between FY 2007 and FY 2020." See Docket No. PI2021-1, Response to CHIR No. 1, question 2.b.iii.; Docket No. PI2021-1, Response to CHIR No. 3, question 1; Docket No. PI2021-1, Response to CHIR No. 4, question 1; Docket No. PI2021-1, Response to CHIR No. 5, question 1.

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 2023	FY 2022	FY 2021	FY 2020	FY 2019
CAG K and L Postmasters ^a	111	100	83	73	71
Postmaster Relief/Leave Replacements	22	22	21	20	20
Clerks ^b	757	700	674	629	607
Total Potential Operating Costs Saved (If CAG K and L Post Offices Closed)	890	822	778	722	698
Cost Savings Adjustment ^c	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Rural Carrier Now Provides Retail Services Cost ^d	13	11	12	13	10
Rural Carrier Now Provides Delivery Service Cost ^e	66	55	55	52	51
Post Office Boxes Revenue Forgone ^f	67	57	49	47	47
Total FY Cost Savings Adjustment	146	122	116	112	108
Cost of Maintaining Small Post Offices (Potential Operating Costs Saved Less Cost Savings Adjustment)	744	700	663	610	590

Note: The sum of individual row components may not equal totals due to rounding. Estimated costs of Maintaining Small Post Offices for FY 2019 differs from previous Annual Reports because a more complete data source for Postmasters' and clerks' costs was identified from the USPS National Consolidated Trial Balance (NCTB) data and the addition of piggyback costs for clerks. Additionally, estimated costs of Maintaining Small Post Offices inputs differ due to updated inputs for the number of occupied Market Dominant PO Boxes and retail visits incorporated into the FY 2019 through FY 2023 calculations. An upcoming library reference in Docket No. PI2021-1 will detail the sources and methodologies used.

^a Postmasters' costs include piggyback costs for overhead and other personnel and non-personnel-related costs.

^b Clerks' costs include piggyback costs for overhead and other personnel and non-personnel-related costs.

^c The cost savings adjustments are used to reduce the potential operating costs saved, as there would presumably be an increase in rural carrier costs and PO Box revenue forgone if the small Post Offices were to close.

^d The estimated fiscal year number of CAG K and L retail transactions was approximated using the most currently available data for FY 2019 through FY 2023.

^e The current number of occupied Market Dominant CAG K and L PO Boxes was used to estimate, for the fiscal years shown, the number of new delivery points for those CAG K and L PO Box customers who would no longer have delivery to the PO Box if small Post Offices were to close.

^f The current number of occupied Market Dominant CAG K and L PO Boxes was used with the respective fiscal year Market Dominant PO Box unit revenue to develop estimated revenue forgone.

Source: Based on information filed in past Annual Compliance Reports (ACRs) and in Docket No. PI2021-1. See FY 2021 Annual Report at 54.

National Consolidated Trial Balance Data (clerks' and postmasters' operating costs): Commission analysis of respective fiscal year ACRs NCTB data (sub-account 104 and 105 for clerks, sub-account 101 for postmasters) for CAG K and L Post Offices provided in ACR Library Reference NP18.

Postmaster Relief/Leave Replacements: Library Reference 5, Cost Segments and Components Reconciliation to Financial Statement and Account Reallocation, tab "seg 1" in the respective fiscal year ACRs.

Rural Carrier Retail Unit and Delivery Service Costs: Rural Mail Count updates for FY 2019 through FY 2021 were provided in Docket No. PI2020-1, Library Reference USPS-P2020-1/NP3, May 11, 2020; Docket No. PI2020-1, Library Reference USPS-P2020-1/NP5, June 2, 2021; Docket No. PI2020-1, Library Reference USPS-PI2020-1/NP6, March 31, 2022.

Clerks Costs by Function (for Piggyback cost development): CAG K and L clerk function proportions are based on the activities of sampled clerks in the In-Office Cost System Post Offices in CAGs K and L. FY 2019 and FY 2020 clerk function proportions were provided in Docket No. PI2021-1, Response to CHIR No. 1, question 3. b.; FY 2021 clerk function proportions were provided in Docket No. PI2021-1, CHIR No. 3, question 2.; FY 2022 clerk function proportions were provided in Docket No. PI2021-1, Response to CHIR No. 4, question 2; FY 2023 clerk function proportions were provided in Docket No. PI2021, Response to CHIR No. 5, question 2.

Piggyback Factors: Library Reference 24 in the respective fiscal year ACRs.

Retail Visits: The number of approximated CAG K and L Post Offices retail transactions inputs for FY 2019 and FY 2020 were provided in Docket No. PI2021-1, Response to CHIR No. 1, question 2.b.; FY 2021 was provided in Docket No. PI2021-1, Response to CHIR No. 3 question 1.a.-1.b.; FY 2022 was provided in Docket No. PI2021-1, Response to CHIR No. 4, question 1.a.-1.c.; FY 2023 was provided in Docket No. PI2021-1, Response to CHIR No. 5, question 1.a.-1.c.

PO Boxes: Docket No. PI2021-1, Response to CHIR No. 1, question 2.c.; Docket No. PI2021-1, Response to CHIR No. 3, question 1.d.; Docket No. PI2021-1, Response to CHIR No. 4, question 1.d.; Docket No. PI2021-1, Response to CHIR No. 5, question 1.d. Market Dominant PO Box unit revenues were developed from Library Reference 4 Market Dominant billing determinants in respective fiscal year ACRs.

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.¹⁵³ In FY 2023, there was an increase of \$7.7 million over the FY 2022 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.¹⁵⁴ To meet its USO delivery obligation,¹⁵⁵ 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.”¹⁵⁶ 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.¹⁵⁷ Consequently, the Commission included the cost of Group E PO Boxes, which are primarily facility-related, in estimating the USO Cost. In FY 2023, servicing Group E PO Boxes cost approximately \$22.0 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.¹⁵⁸

153 USO Report at 139.

154 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.

155 See USO Report at 196.

156 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.

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

158 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.

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].”¹⁵⁹ 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 2019 and FY 2023.

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

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Preferred Rate Discounts Net of Costs ^a	1,231	1,185	1,207	1,189	1,223
Periodicals Losses	614	612	828	775	671
TOTAL	1,845	1,797	2,034	1,964	1,895

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).

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.¹⁶⁰ 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 2023, preferred rate discounts net of costs were \$1.231 billion. The costs increased in FY 2023 due to an increase in the revenue per piece for Marketing Mail between FY 2022 and FY 2023.

PERIODICALS LOSSES

Periodicals losses are the annual amount by which Periodicals’ attributable cost exceeds revenue.¹⁶¹ The price cap on Market Dominant products does not allow the Postal Service to fully recover

¹⁵⁹ 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.

¹⁶⁰ FY 2018 ACD at 39.

¹⁶¹ 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.

Periodicals losses through rate increases.¹⁶² 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.¹⁶³ Accordingly, the Commission considers these losses to be part of the USO Cost.

In FY 2023, Periodicals losses were \$613.7 million. In FY 2023, revenue from Periodicals covered 60.1 percent of the attributable cost of the Periodicals class, a decrease from 61.1 percent in FY 2022.¹⁶⁴ In FY 2023, on a unit basis, both In-County and Outside County Periodicals revenues increased and the overall unit cost increased.¹⁶⁵

The Periodicals class has routinely failed to cover its attributable cost in the preceding fiscal years.¹⁶⁶ The Commission took steps to address this issue by finalizing rules adopting changes to the regulations governing the Market Dominant ratemaking system.¹⁶⁷ Specifically, for non-compensatory mail classes such as Periodicals, the final rules provide the Postal Service an additional 2 percentage points of rate authority per class per fiscal year.¹⁶⁸ 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 2021.¹⁶⁹ As such, the FY 2019 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 12.0 percent and revenue decreased by 3.8 percent from FY 2022 to FY 2023.

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

162 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.

163 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.

164 FY 2022 Financial Analysis, Appendix A; FY 2023 Financial Analysis, Appendix A.

165 *Id.*

166 FY 2023 ACD at 21-22. 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 2023 Financial Analysis at 69.

167 See Order No. 5763. The final rules are described in Chapter III in the [Rulemakings Amending Commission Regulations – Review of Market Dominant Rate System](#) section above.

168 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.

169 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).

otherwise have been provided by the Postal Service but for the requirements of law.”¹⁷⁰ 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 2019 through FY 2023.

Table IV-5
Other Public Services or Activities the Postal Service
Would Not Provide but for Legal Requirements (\$ Millions)¹⁷¹

Public Service or Activity	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Six-Day Delivery	2,862	2,677	2,642	2,518	2,465
Uniform First-Class Mail Rates	76	74	66	52	71
Uniform Media Mail/Library Mail Rates	66	50	76	94	124
Postal Inspection Service (Net Cost)	557	551	541	503	471
TOTAL	3,561	3,353	3,324	3,167	3,131

SIX-DAY DELIVERY

Since 1984, appropriations bills have included a provision requiring the Postal Service to continue providing Six-Day Delivery.¹⁷² On April 6, 2022, the PSRA codified the Six-Day Delivery requirement in a revised 39 U.S.C. § 101(b).¹⁷³ 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 2019 through FY 2023.¹⁷⁴ In FY 2023, the estimated cost of providing Six-Day Delivery was approximately \$2.86 billion, an increase from the estimated FY 2022 cost of \$2.68 billion.

170 39 U.S.C. § 3651(b)(1)(c).

171 The Postal Service provided 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. Uniform First-Class Mail Rates costs for FY 2019 through FY 2023 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.

172 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[.]”).

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

174 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.

UNIFORM RATES

Rates for First-Class Mail must be uniform throughout the United States.¹⁷⁵ 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 increased from \$74.0 million in FY 2022 to \$75.8 million in FY 2023.

Media Mail/Library Mail rates must be uniform for mail of the same weight and must not vary with the distance transported.¹⁷⁶ 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 are not uniform.

In FY 2023, the estimated cost of providing uniform Media Mail/Library Mail rates was approximately \$66.2 million, an increase from the estimated FY 2022 cost of \$50.3 million. The increase in cost between FY 2022 and FY 2023 was due to the increase in the unit contribution of Bound Printed Matter in FY 2023.¹⁷⁷

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).¹⁷⁸ The Postal Inspection Service enforces more than 200 federal laws that relate to crimes involving the postal system, its employees, and its customers.¹⁷⁹ 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.”¹⁸⁰ 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.¹⁸¹ 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.

175 39 U.S.C. § 404(c).

176 39 U.S.C. § 3683.

177 FY 2022 Financial Analysis, Appendix A; FY 2023 Financial Analysis, Appendix A.

178 See FY 2019 Annual Report at 49.

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

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

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

In FY 2023, the net cost of the Postal Inspection Service was approximately \$556.7 million, compared to the estimated FY 2022 net cost of \$551.4 million.¹⁸²

Value of the Postal Monopoly

The mailbox monopoly is the Postal Service’s exclusive right to deliver to and collect from mailboxes.¹⁸³ The letter monopoly is the Postal Service’s exclusive right to carry and deliver most addressed, paper-based correspondence.¹⁸⁴ 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.¹⁸⁵ 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.¹⁸⁶ 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 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.

182 See Docket No. ACR2023, Library Reference USPS-FY23-32, December 29, 2023, PDF file “USPS-FY23-32 Preface.pdf,” at 5.

183 18 U.S.C. § 1725.

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

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

186 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.

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.¹⁸⁷ 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.¹⁸⁸ 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
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.¹⁸⁹ The FY 2019 through FY 2023 postal and mailbox monopoly estimates calculated using the base case model assumptions are presented in Table IV-6.

Table IV-6
Base Case Model Values of the Postal and Mailbox Monopolies¹⁹⁰ (\$ Billions)

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Postal Monopoly	3.74	4.19	3.10	3.82	4.72
Mailbox Monopoly	0.21	0.20	0.20	0.86	0.94

187 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.

188 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.

189 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.

190 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.

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 2023 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).¹⁹¹

Table IV-7 illustrates the impact on the FY 2023 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
4. The percentage of contestable mail skimmed on profitable routes¹⁹²

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 2023 Value of the Postal and Mailbox Monopolies (\$ Billions)

	Low	Base Case	High
Postal Monopoly	0.14 ^a	3.74 ^b	8.75 ^c
Mailbox Monopoly	0.03 ^d	0.21 ^e	0.72 ^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%

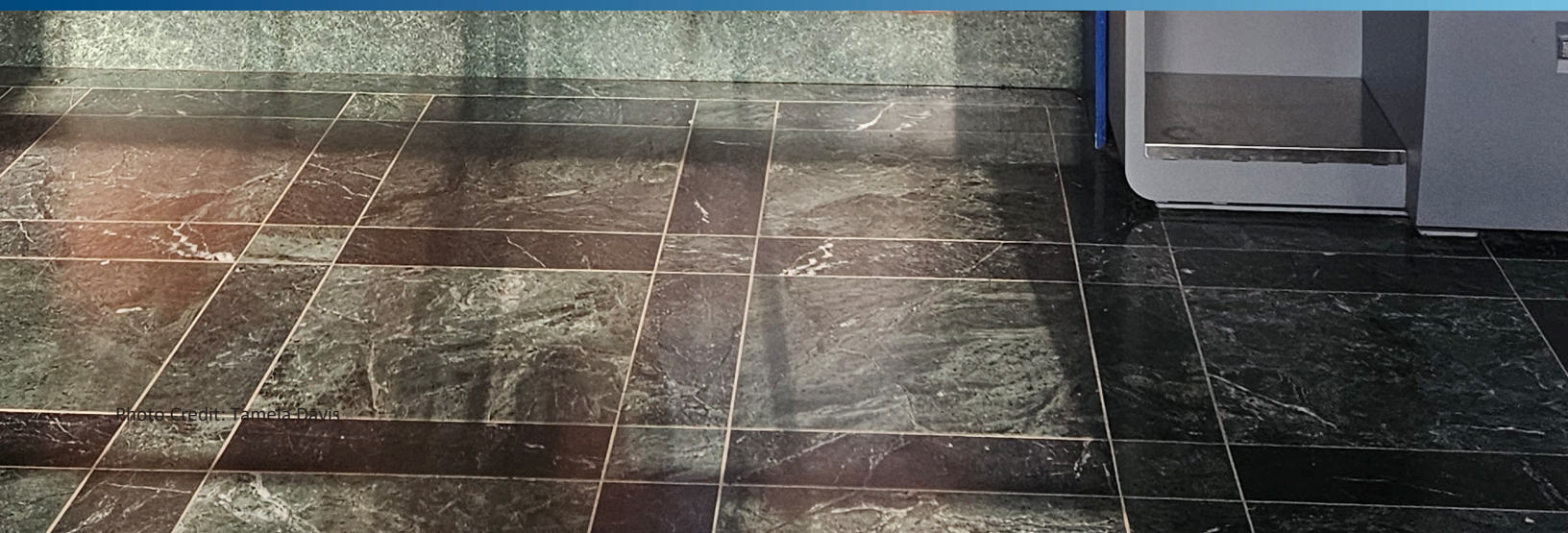
191 See USO Report at 144, Table 5 notes 2, 5; *id.* at 143-46.

192 See notes to Table IV-7.

QUICKPOST



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 informs and advises commissioners and Commission staff on legislative matters and policies related to the Commission and the Postal Service in addition to coordinating the preparation of both congressional testimony and responses to congressional inquiries concerning Commission policies and activities. PAGR is the primary office assisting the general public.

Nominations

President Joseph Biden renominated Ann C. Fisher and Ashley E. Poling on April 11, 2024, to serve a second term. The Senate Homeland Security and Governmental Affairs Committee held a hearing to consider their nominations on July 25, 2025. The Committee then voted favorably to send their nominations to the full Senate on July 31, 2024. The United States Senate voted unanimously to confirm both nominees on September 25, 2024, and the President formally appointed both confirmations on October 1, 2025. Commissioner Ann C. Fisher, of South Dakota, will serve a second term expiring October 14, 2030. Commissioner Ashley Jay Elizabeth Poling, of North Carolina, will serve a second term expiring November 22, 2030.

Consumer Relations

Comments and Inquiries

In Fiscal Year 2024, PAGR processed over 9,900 questions, suggestions, comments, inquiries, and request for information. The majority of these inquiries were submitted through the online “**Contact PRC**” email link on the [Commission’s website](#), while the remaining were received through phone, and hardcopy correspondence.

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 [USPS Reports](#) section.

Table V-1

FY 2024 Number of Inquiries Received by Contact

	EMAIL	LETTERS	PHONE	TOTAL
TOTAL	8,786	181	967	9,934
Quarter 1	2,070	69	213	2,352
Quarter 2	2,188	31	385	2,604
Quarter 3	1,764	33	147	1,944
Quarter 4	2,764	48	222	967

INQUIRIES BY ISSUE

In line with previous reporting, mail that is delayed, undelivered and misdelivered remained the leading complaint type. The Commission received more than 500 comments from the public voicing objections to specific elements of the U.S. Postal Service Delivering for America initiative. Additionally, there was a significant number of concerns expressed with the USPS new change of address verification process.

Table V-2
FY 2024 Number of Inquiries Received by Issue

570 Delivering for America plan	79 Package missing in the mail	68 Package delayed in mail	67 Did not receive delivery for several days
62 Letter and packages delayed at plant	58 Unspecified delivery issues	52 Not receiving delivery every day	44 Carrier not making an initial attempt to deliver package
44 Mail not forwarded as requested	43 Local Post Office rejected change of address request due to new in-person verification policy	35 Letters missing in the mail	100 Receiving others mail
32 Letters delayed in mail	32 Mail being returned to sender in error	31 Local Post Office suspended delivery due to safety concerns	27 NDCBU damaged, Local Post Office refused to replace, or there is an extended delay with replacement
24 Problem establishing new delivery address	23 Misdelivered mail	20 Packages delayed at the mail processing plant in Houston	

INQUIRIES BY LOCATION

The U.S. Postal Service Retail and Delivery operation is geographically divided into 4 Area Offices, and 50 District Offices. In FY 2024, a review of the inquiries received by state revealed that an above average number of service-related concerns originated in the states of California, Texas, Florida, New York, Illinois, and Pennsylvania respectively.

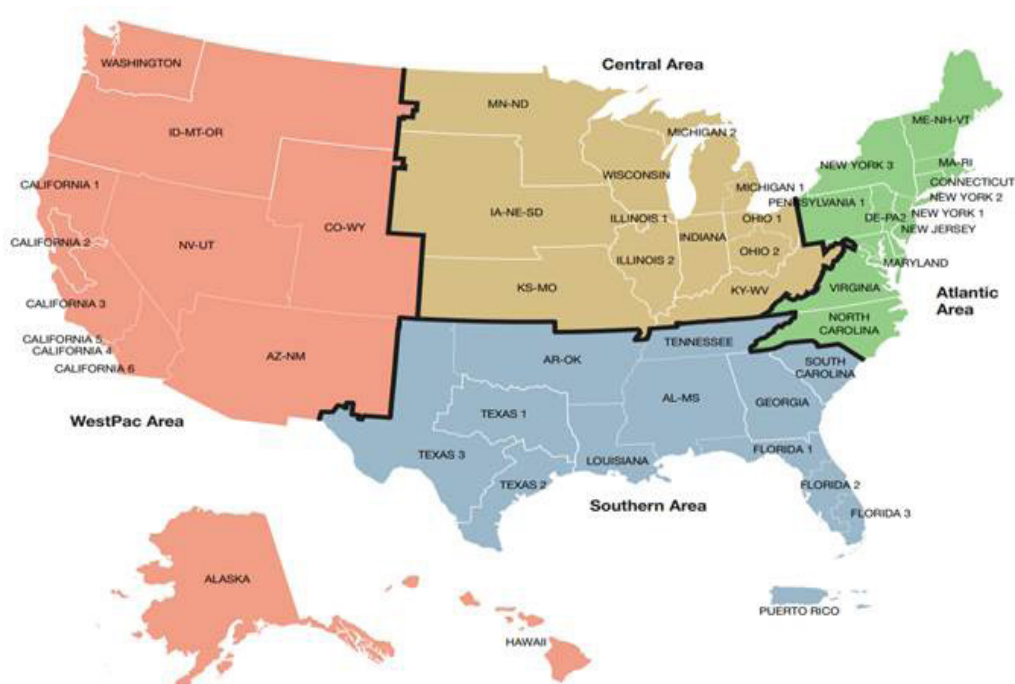
**Table V-3
FY 2024 Number of Inquiries Received by State**

State/ Service Area	CA	TX	FL	NY	IL	PA	GA	NC	SC	NJ
Top Issues										
Delayed	4	35	9	6	9	8	8	6	3	10
Undelivered	5	5	8	11	4	4	4	3	5	1
Misdelivered	3	5	5	4	1	1	1	1	3	1
Missing	0	0	1	2	1	0	0	1	1	2
Number of Inquires										
FY 2024	101	100	94	88	62	53	38	37	35	33
FY 2023	52	26	31	21	96	12	14	12	6	8
FY 2022	26	27	14	23	27	12	14	12	8	8
FY 2021	30	29	34	22	32	8	21	12	5	6

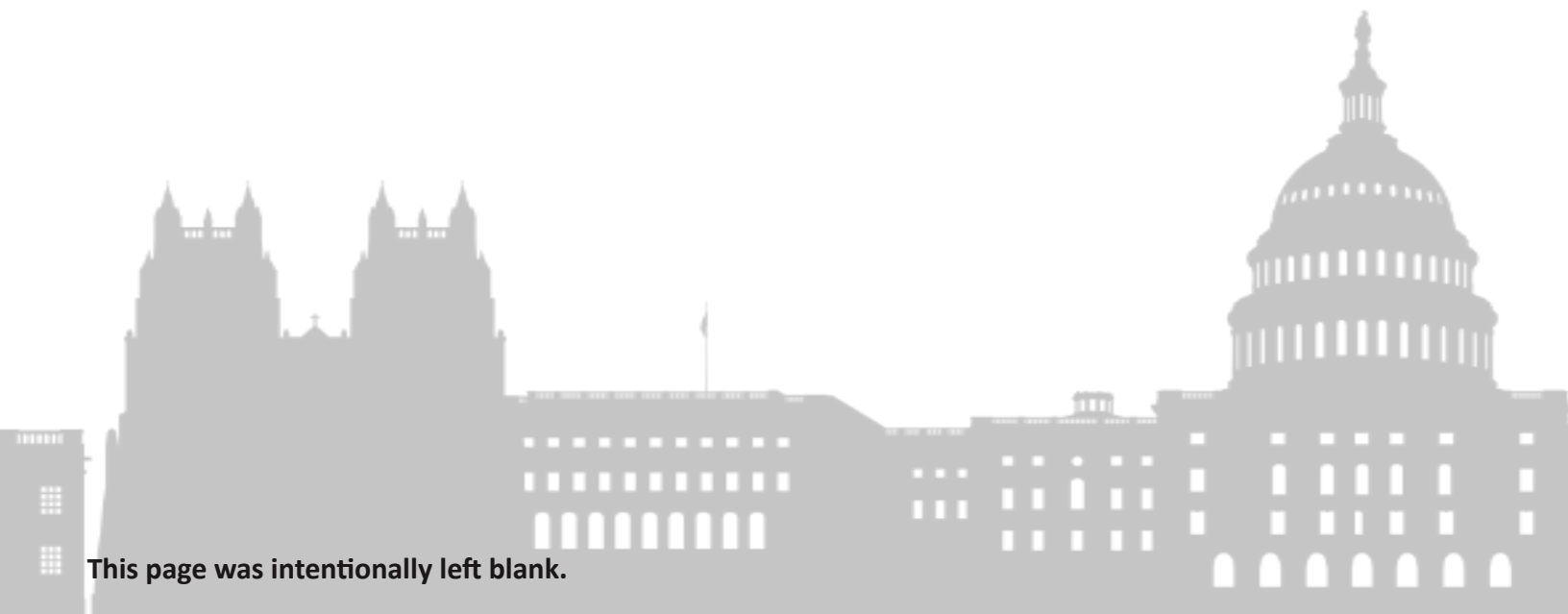
By District, the Commission received the greatest number of inquiries from Illinois 1, California 2, Maryland, Arizona-New Mexico, and Florida 3 Districts.

**Table V-4
FY 2024 Number of Inquiries Received by District**

Area Office	District	Top Issue
Western-Pacific	Arizona-New Mexico	Misdelivered mail
Central Area	Illinois 1	Letters and packages delayed in the mail
Atlantic Area	North Carolina	Local post office not working with HOA to establish delivery
	Delaware-Pennsylvania	Packages and letters delayed in the mail
Atlantic	New York 3	Packages missing in the mail
	New Jersey	Letters delayed in the mail
Southern Area	Texas 1	Packages missing in the mail
	Georgia	Carrier leaving mail in an unsecure location
	Florida 2	Local Post Office requesting resident move
	Alabama-Mississippi	No delivery for several days
	Florida 3	Letters missing in the mail
Southern	South Carolina	Problems with establishing a new delivery point



Source: This map is from the USPS report to Congress: [Fiscal Year 2022 Annual Report to Congress \(usps.com\)](https://www.usps.com/fy2022-report-to-congress)

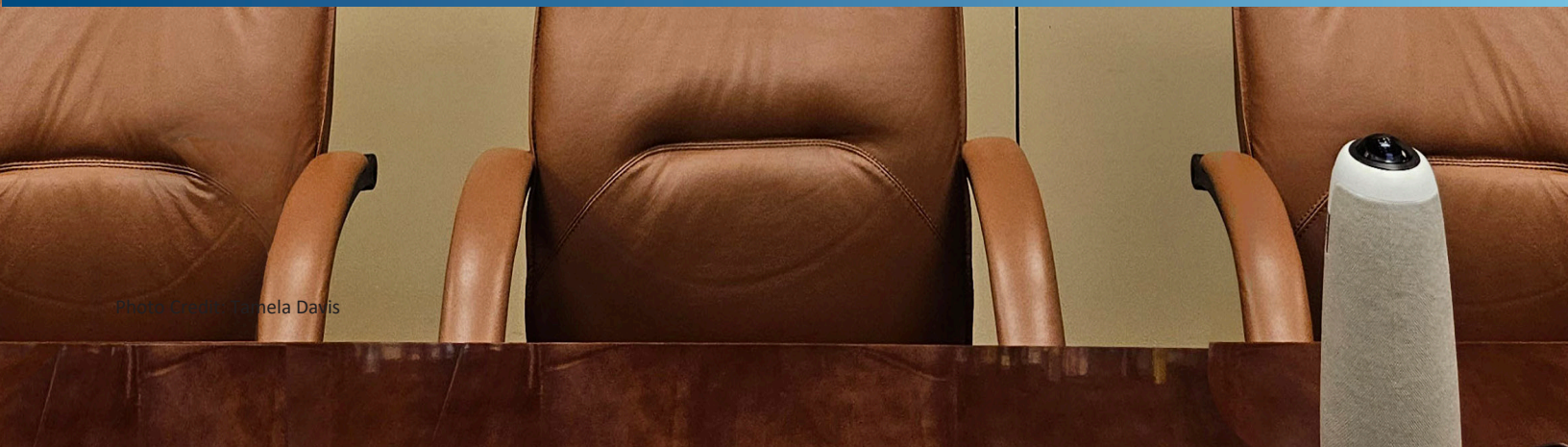


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CHAPTER VI

BUDGET AND FINANCIAL MANAGEMENT



The Office of Budget and Finance (OBF) is a strategic partner with Commission leadership in ensuring the adequate resourcing of its mission. It also ensures its budget is executed with fiscal prudence within appropriate rules and guidelines. The Commission enforces fiscal policies that provide a framework within which it executes its budget to support its mission and operational priorities efficiently and effectively. Strong internal controls, transparency, accuracy in record keeping, and adherence to fund management principles are the hallmark of OBF's mission in support of the organization. The primary responsibilities of OBF include:

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

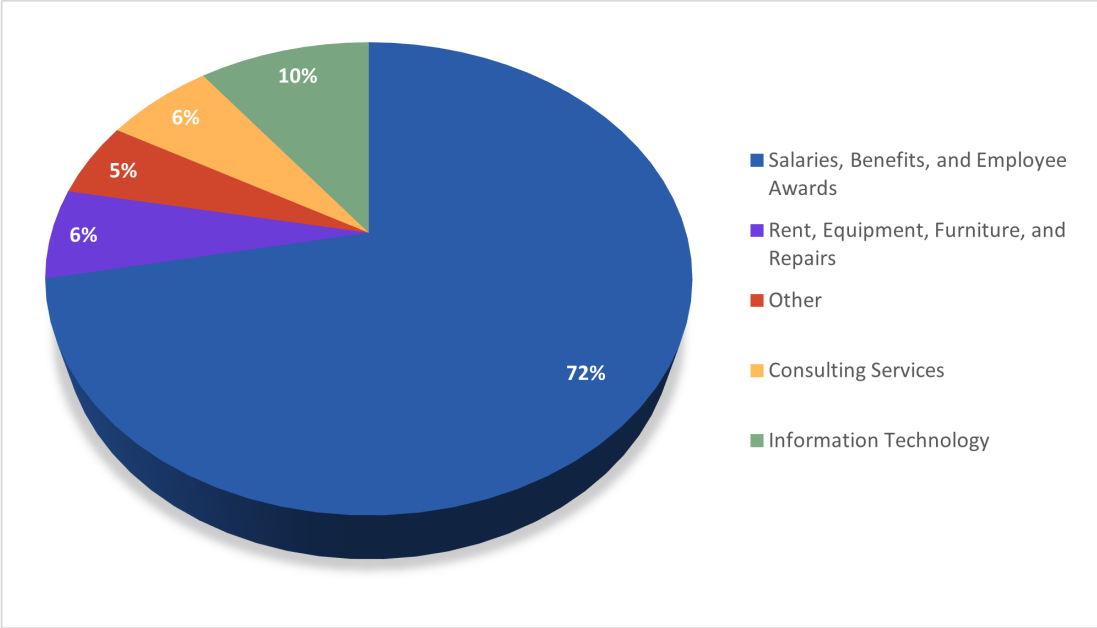
FY 2024 Budget and Priorities

FY 2024 was the Commission's second year outside of the appropriations process receiving its budget by approval from the United States Postal Service's Board of Governors (USPS Governors). For FY 2024, USPS Governors approved providing \$21.124 million in funding to support the Commission's total budget of \$27.605 million.

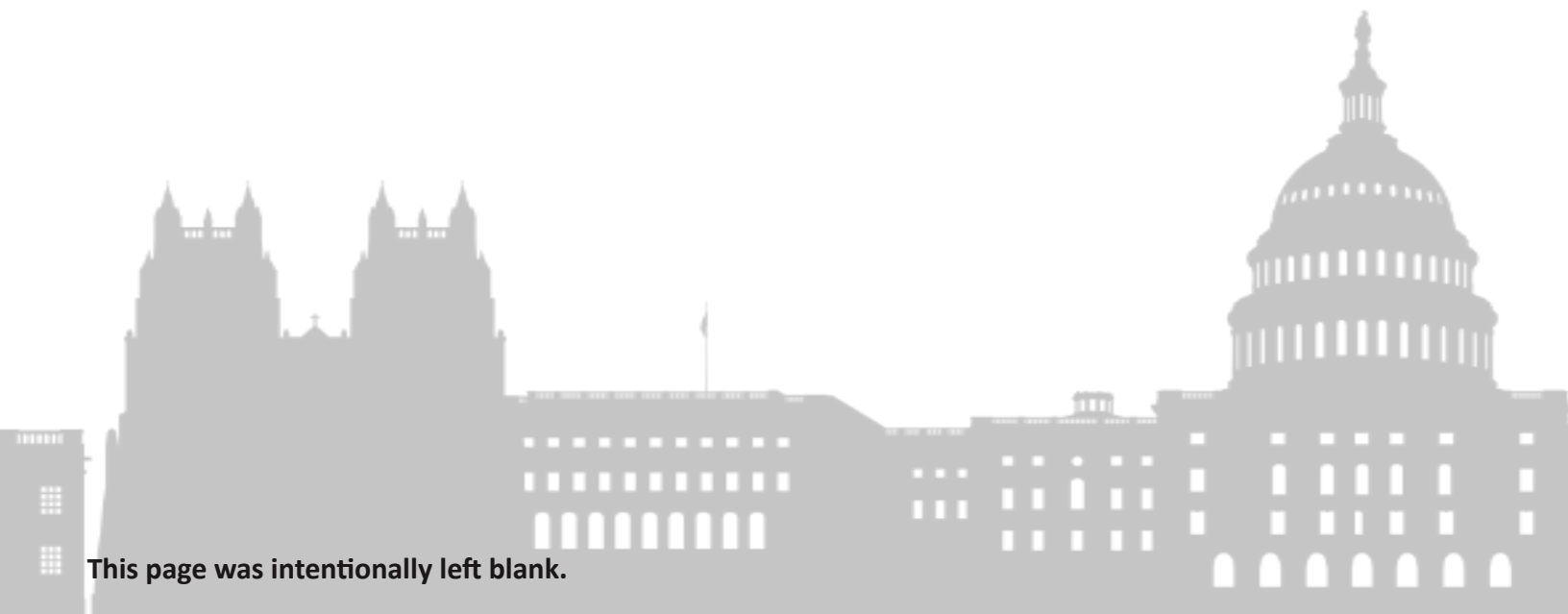
For FY 2024, the Commission prioritized continuing to strengthen its critical cybersecurity posture and align with Zero Trust principles and invested in strategic IT modernization efforts to develop and safeguard critical platforms that are essential to its regulatory role. Increasing its data acquisition, storage, analysis, and visualization capabilities as a part of its regulatory role has also been a deliberate priority. As the Commission sought to improve its efficiency and security through increasing its technological capabilities, it sought and received an award from the Technology Modernization Fund (TMF) in FY 2022 of \$2.029 million and FY 2023 of \$1.4 million and a final transfer of \$0.616 million was received in FY 2024; the Commission has until FY 2025 to fully obligate these funds. The TMF, authorized by the Modernizing Technology Government Act of 2017, has allowed the Commission to reimagine and transform the way it uses technology in a secure, efficient, and effective manner. The Commission is using these funds to supplement its budget allowing it to commit to the necessary but costly IT investments that would be difficult to accommodate within its normal budget.

In FY 2024, the agency successfully executed 97 percent (excluding TMF) of its total budget of \$27.605 million through strategic cost containment, reduction of expenditures, and targeted reinvestment measures. The proportions below are reflective of the agency’s priorities to increase efficiency and security with a greater reliance on information technology, supplementing mission requirements not resident in the Commission’s capabilities with consulting services as appropriate.

Figure VI-1
FY 2024 Budget Execution



Source: Postal Regulatory Commission Office of Budget and Finance.



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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 recently focused on modernizing legacy infrastructure, systems, and services to enhance operational efficiency, improve user experience, and meet evolving mandates.

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

Strategic IT Modernization

To modernize its technology infrastructure, improve service delivery, and strengthen data protection, the Commission undertook several major initiatives:

CLOUD TRANSITION

The Commission successfully migrated its legacy server infrastructure to cloud-based solutions, reducing its physical server count from 55 to just three. This transition streamlined operations, enhanced security and scalability, and achieved significant cost savings through more efficient resource management and automated updates.

PUBLIC WEBSITE MIGRATION

The Commission addressed significant security risks by transitioning PRC.gov to a modern, secure Microsoft Azure cloud platform. This migration improved website performance, reliability, and protection against cyber threats, supported by continuous monitoring and real-time threat detection through the Department of Justice Security Operations Center (DOJ SOC).

EDOCKETS ENHANCEMENTS

The Commission advanced Phase II development of its eDockets system, its primary platform for stakeholder engagement and permanent records management. Based on user feedback, enhancements included improved file upload and search capabilities, a refined user interface, and expanded overall system functionality. Phase II remains on track for completion in spring FY 2025.

Business Process Optimization

Leveraging in-house expertise and Microsoft Power Apps and Power Automate, the Commission streamlined and automated critical HR and IT workflows, achieving cost savings and improved efficiency. Key improvements included:

- Replacing manual, paper-based HR processes—such as leave requests, end-of-year evaluations, and incident management—with automated, user-friendly applications.
- Implementing automated systems to track IT support tickets and facilities requests, reducing response times and enabling staff to focus on complex tasks.

These enhancements increased productivity, minimized delays, and provided employees with a more seamless and efficient experience.

Data Management and Compliance

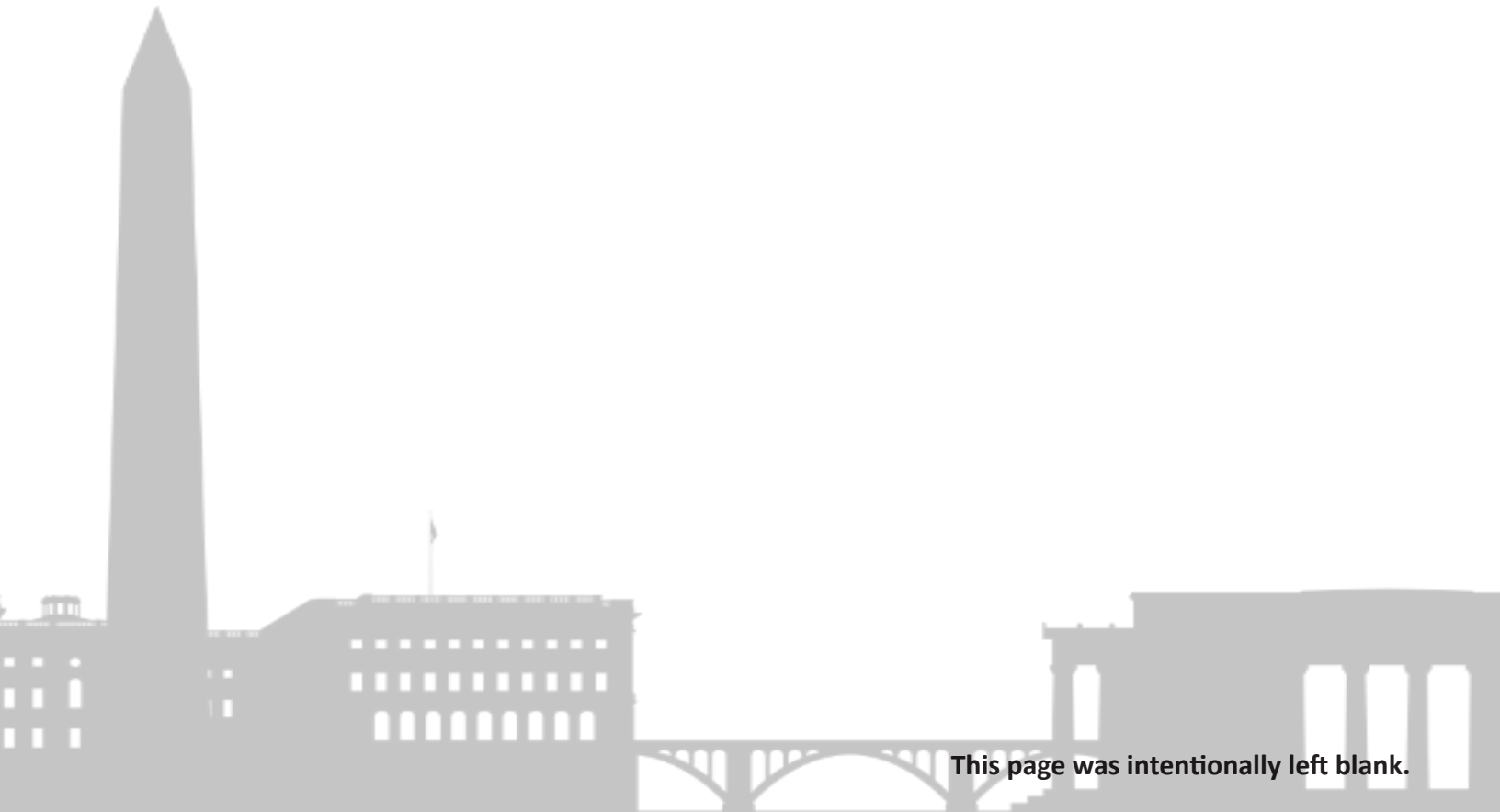
To support its expanding oversight responsibilities and enhance research capabilities, the Commission advanced its data management initiative in FY 2024. Efforts included consolidating postal-derived information into a centralized database, implementing geospatial automation for mapping and analysis, and streamlining workflows to improve accuracy and efficiency.

OSA also strengthened compliance with federal records and privacy regulations. The agency implemented an updated Controlled Unclassified Information (CUI) marking system to better protect sensitive data, finalized key privacy documentation, and worked toward updating its system of records notices (SORN) for personnel and docketing systems, with completion expected in FY 2025.

Cybersecurity and Data Protection

To strengthen its security posture and align with Zero Trust principles, the Commission integrated DOJ SOC services into its security strategy. The SOC provides 24/7 monitoring, real-time threat detection, and advanced incident response capabilities, enabling the agency to mitigate potential threats proactively. In addition, robust logging, auditing, and continuous monitoring ensure compliance with federal standards and enhance the Commission's ability to safeguard sensitive data.





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