

FISCAL YEAR **2023**



ANNUAL REPORT

TO THE PRESIDENT AND CONGRESS





LETTER FROM THE CHAIRMAN FEBRUARY 2024

On behalf of the Postal Regulatory Commission, I am pleased to submit the agency's Fiscal Year 2023 Annual Report to the President and Congress. This report details the Commission's primary activities and accomplishments over the last fiscal year. 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 last fiscal year was marked by significant achievements and changes at the Commission and throughout the industry. The Commission embraced its role under the 2022 Postal Service Reform Act and is committed to increased transparency, collaboration, and oversight over Postal Service activities that may have an impact on service nationwide.

In FY 2023, the Commission received steady and increased interest from Members of Congress, stakeholders, and the public in the Postal Service's Delivering for America plan. The Commission opened a Public Inquiry docket to engage with the public and stakeholders on their areas of concern as the Postal Service implements its plan. We continue to keep a keen eye on the changes being implemented by the Postal Service that may affect service on a nationwide scale.

The Commission focused on implementing its 2023-2028 Strategic Plan, leveraging its limited resources effectively. Strategic initiatives included a stakeholder analysis that has played a pivotal role in informing the Commission on issues that are important to its role as regulator and reflect the concerns of postal customers. In line with policies requiring the modernization of government, as well as best practices in the public and private sectors, the Commission is using technology and data to meet its mission of providing transparency and accountability of the Postal Service with a budget that amounts to .03 percent of the Postal Service's budget.

The activities described in this report reflect the hard work and dedication of the Commission's professional staff and demonstrate our continued commitment to work with the President, Members of Congress, the Postal Service, mailers, and the public as critical decisions are made to sustain the nation's valued treasure— the U.S. Postal Service.

Respectfully submitted,

A handwritten signature in black ink that reads "Michael Kubayanda". The signature is written in a cursive, flowing style.

Michael M. Kubayanda
Chairman

MISSION, VISION, & GUIDING PRINCIPLES

MISSION STATEMENT

Ensure transparency and accountability of the United States Postal Service and foster a vital and efficient universal mail system.

VISION STATEMENT

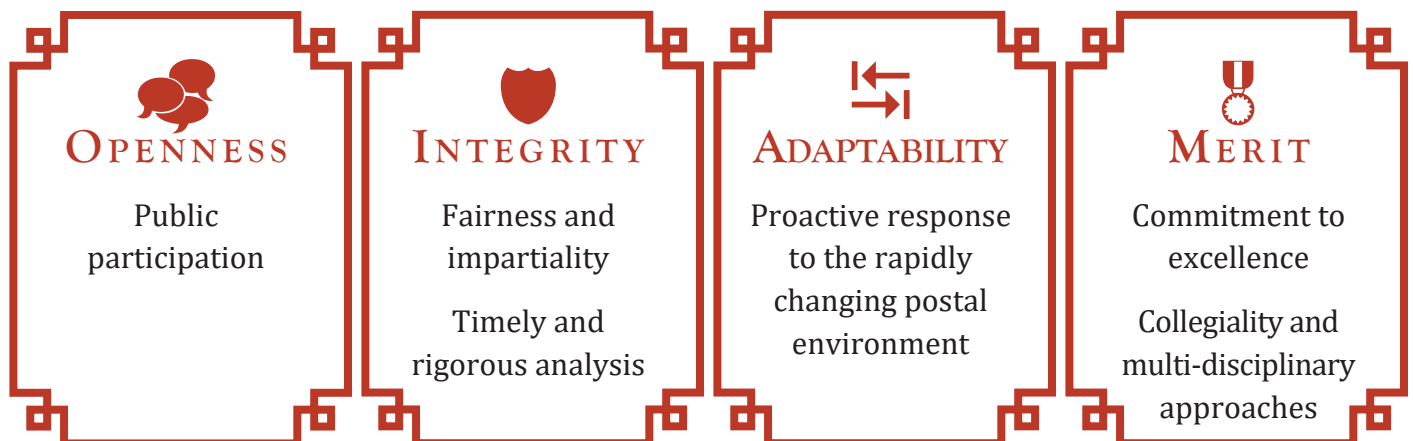
To be an independent regulator respected for effectively engaging postal stakeholders to promote a robust universal mail system through objective, accurate, and timely regulatory analyses and decisions.

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:



CONTENTS

CHAPTER 1 • FISCAL YEAR 2023 AT A GLANCE	1	Delivering for America Plan	35
• Other FY 2023 Accomplishments	3	Classification of First-Class Package Service	36
CHAPTER 2 • ABOUT THE COMMISSION	5	Review of Postal Service Cost Attribution Regulations	36
• Current Commission Leadership	6	Value of the Postal Monopoly	37
• Staff and Office Structure	10	Universal Service Obligation Valuation Methodology	38
• Strategic Planning & Foresight	11	Resolving Suspended Post Offices	38
CHAPTER 3 • FY 2023 PROCEEDINGS	13	• Proposals to Change Analytical Principles	39
• Rate Adjustments	15	Completed Proposals	39
Market Dominant Products	15	<i>Docket No. RM2023-9 (Proposal 9)</i>	39
<i>Rates of General Applicability</i>	15	<i>Docket No. RM2023-4 (Proposal 1)</i>	40
<i>Rates Not of General Applicability</i>	19	Dockets Related to Removing Prefunding Payment Liabilities	41
Competitive Products	21	<i>Docket Nos. RM2023-1, RM2023-2</i> <i>(Proposal Seven), and RM2023-3</i> <i>(NPPC et al. Proposal One)</i>	41
<i>Rates of General Applicability</i>	21	<i>Docket No. RM2023-2</i> <i>(Proposal Seven)</i>	41
<i>Rates Not of General Applicability</i>	23	<i>Docket No. RM2023-3,</i> <i>NPPC et al. Proposal One</i>	42
<i>Assumed Federal Income Tax</i>	25	Other Completed Proposals	42
• Changes to Product Lists and the Mail Classification Schedule	26	Pending Dockets	42
Product Lists	26	• Other Proceedings	43
Mail Classification Schedule	26	Market Tests	43
• Rulemakings Amending Commission Regulations	27	<i>Proposed Conversion to Permanent</i> <i>Offering</i>	44
Institutional Cost Contribution Requirement	27	<i>Extension of Market Test</i>	45
Revisions to Service Performance Reporting Requirements	27	Complaints	45
Competitive Negotiated Service Agreements	28	<i>Complaint of Mark Allan Edwards</i>	45
Performance Incentive Mechanism	29	<i>Other Complaints</i>	46
Rate Incentives for Market Dominant Products	29	Post Office Closing Appeals	47
International Mail Rule Changes	30	Flats Operations Study	47
• Annual Reports	30	• Court of Appeals Cases	48
<i>Annual Compliance Determination</i>	31	• International Postal Policy	49
<i>Financial Analysis</i>	34		
<i>Analysis of Performance Goals</i>	34		
• Public Inquiries	35		

ACRONYMS

CHAPTER 4 • UNIVERSAL SERVICE OBLIGATION & POSTAL MONOPOLY..... 50

- **Background**..... 51
 - Estimated USO Cost..... 51
 - Postal Services to Areas of the Nation the Postal Service Would Not Otherwise Serve..... 52
 - Maintaining Small Post Offices*..... 53
 - Alaska Air Subsidy*..... 56
 - Group E Post Office Boxes*..... 56
 - Free or Reduced Rates..... 56
 - Preferred Rate Discounts Net of Costs*..... 57
 - Periodicals Losses*..... 57
 - Other Public Services or Activities..... 58
 - Six-Day Delivery*..... 59
 - Uniform Rates*..... 59
 - Postal Inspection Service*..... 59
- **Value of the Postal Monopoly**..... 60

CHAPTER 5 • PUBLIC AFFAIRS..... 63

- Consumer Relations-Comments & Inquiries..... 64
 - Inquiries by Issue*..... 64
 - Inquiries by Location*..... 65

CHAPTER 6 • ADMINISTRATION..... 68

- Strategic Planning..... 69
- Financial Management & Budget..... 69
 - FY 2023 Budget & Expenses*..... 69
 - FY 2024 Budget Request*..... 71
- Data & Records Management..... 71
 - Data Management*..... 71
 - Records & Privacy*..... 71
- Workforce Development..... 72
- Information Technology..... 73
 - Docketing System*..... 73
 - Website Replacement*..... 73
 - Transition to Cloud*..... 74
 - Cybersecurity and Data Protection*..... 74

ENDNOTES..... 75

PHOTO CREDITS..... 96

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 Management

SPR Special Purpose Route

TACS Time and Attendance Collection System

U.S.C. United States Code

UPU Universal Postal Union



CHAPTER ONE

FISCAL YEAR 2023 AT A GLANCE



The Commission plays an important role in the postal industry following the statutory guidelines set out for it by Congress. In Fiscal Year (FY) 2023, the Commission achieved significant accomplishments in support of 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 2023 include:

- **PROVIDING TRANSPARENCY INTO SERVICE PERFORMANCE AND POSTAL SERVICE INITIATIVES TO REDESIGN ITS NETWORK THROUGH:**

- ▶ Initiating a Public Inquiry into the Postal Service’s “Delivering for America” Plan
- ▶ New Service Performance reporting requirements including requirements for the Postal Service public service performance dashboard as outlined by Postal Service Reform Act (PSRA)
- ▶ Annual Compliance Determination (ACD) directives aimed at improving service performance results for Postal Service products or product categories that did not meet their service performance targets



- **PROTECTING POSTAL CUSTOMERS FROM EXCESSIVE RATE INCREASES AND ENSURING FAIR COMPETITION IN COMPETITIVE POSTAL MARKETS THROUGH:**

- ▶ Issuing the Annual Compliance Determination to evaluate whether any rates or fees in effect during FY 2023 were not compliant
- ▶ Adjudicating two general Market Dominant Rate Cases and reviewing proposed rates for Competitive products to ensure compliance with existing regulatory and statutory requirements
- ▶ Soliciting public comments regarding adding a Performance Incentive Mechanism to the existing ratemaking system
- ▶ Implementing rules defining the appropriate share of institutional costs that must be covered by the Postal Service’s Competitive products (such as parcels)
- ▶ Reviewing and approving 557 Negotiated Service Agreements (NSAs) and non-published rate agreements to ensure these Competitive products comply with cost

coverage requirements

- **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
- ▶ Engaging with the public through public inquiry dockets related to the classification of First-Class Package Service, postal cost attribution regulations, the postal monopoly, the cost of the Universal Service Obligation, and suspended post offices
- ▶ Processing more than 8,800 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 Postal Service Board of Governors to explain Commission budgetary processes and priorities
- ▶ Regular consultations with Postal Service Office of Inspector General (OIG)
- ▶ Engagement 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 2023 Accomplishments

The Commission's other accomplishments and achievements include:

- Engaging in rulemakings related to Competitive NSAs, rate incentives for Market Dominant products, and non-public materials submitted to the Commission in connection with foreign-policy deliberations
- Approving two new Market Dominant rate incentives and provisionally approving the Publisher's Clearing House NSA. In order to provide flexibility for the review and approval of Market Dominant NSAs while ensuring legal compliance, the Commission also proposed a proceeding to develop new methodologies to evaluate whether a contract complies with the requirements of title 39
- Commissioners planned site visits to view Postal Service processing facilities in Georgia which are implementing DFA (with the intention of executing the site visits in FY 2024)
- Considering 11 proposals to change accepted analytical principles and issued final orders for all but two proposals)

- Considering four complaints filed by postal customers alleging mail delivery service issues and reviewing two post office closing appeals
- Issuing a Flats Operation Study with principal findings as required by the PSRA
- Began implementing the Commission's 2023-2028 Strategic Plan



CHAPTER TWO

ABOUT THE COMMISSION

The Commission is an independent establishment of the Executive Branch of the United States Government. It has exercised regulatory oversight over the Postal Service since its creation by the Postal Reorganization Act of 1970, with expanded responsibilities under the PAEA 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.

Chairman Kubayanda embraces the use of technology to modernize government and improve performance while serving the Commission’s traditional mission of providing transparency and accountability of the Postal Service. Since becoming Chairman, he has focused on boosting the Commission’s data and knowledge management capacity and launched an analytics unit within the Office of Accountability and Compliance.

The additional capacity in the micro agency (with fewer than 100 employees, compared with more than 600,000 for the Postal Service) is aimed at updating the Commission’s ability to evaluate issues such as network efficiency and performance. The new unit can serve as a focal point for analysis informed by statistics, engineering, operations, and computational expertise, complementing the Commission’s skills in economic, financial, and legal analysis. These capabilities and an updated technology stack also help in implementing the Foundations for Evidence-Based Policymaking Act of 2018, part of an ongoing effort to organize the Commission’s information for use by internal analysts, industry stakeholders, researchers, and citizens. The Technology Modernization Fund has awarded support to the Commission for these efforts.

Chairman Kubayanda has encouraged engagement by the Commission with a nonpartisan, world-class group of experts in operations, economics, law, electronic commerce, government transparency, and foresight. The Commission has also developed a new strategic plan for 2023 – 2028 using scenario planning to prepare the Commission for a range of potential futures affecting the agency and the broader ecosystem.

Prior to joining the Commission, Chairman Kubayanda served as a board member and privacy officer for a digital health startup with operations in the U.S. and emerging markets. He previously worked with the Office of Inspector General of the U.S. Postal Service, as director of government relations and in the OIG’s research group. At the OIG, he advocated successfully for appropriations for the OIG’s analytics platform. 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.



Thomas Day | VICE CHAIRMAN

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 U.S. Army and the U.S. 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. In addition, at the Postal Service, he was the chair of the Standards Board at the Universal Postal Union. Mr. Day was recognized with a Board of Governors award for his leadership in response to the Anthrax attack. Following his retirement from the Postal Service, he was employed by the International Post Corporation where he was the chief commercial and chief financial officer.

Commissioner Day holds a BS in Engineering from the US Military Academy at West Point, a MA in Management from Central Michigan University and a MS in Management from the Graduate School of Business at Stanford University.



Ann C. Fisher | COMMISSIONER

Ann C. Fisher was sworn in as Commissioner of the Postal Regulatory Commission on August 8, 2019, for a first term, following her nomination by President Donald J. Trump and confirmation by the United States Senate. Commissioner Fisher is a proud 30-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. Prior to her nomination by President Trump, Fisher 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, 2024.



Ashley E. Poling | COMMISSIONER

Ashley Jay Elizabeth Poling was sworn in as commissioner for a first term on August 8, 2019, following confirmation by the United States Senate. 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 expires on November 22, 2024. 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.



Robert G. Taub | COMMISSIONER

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 OIG, 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.

NOTE: *Thomas Day was elected vice chairman of the agency at the departure of former Commissioner Mark Acton, who served in the capacity of vice chairman for most of 2023 and until he departed from the Commission on October 5, 2023.*

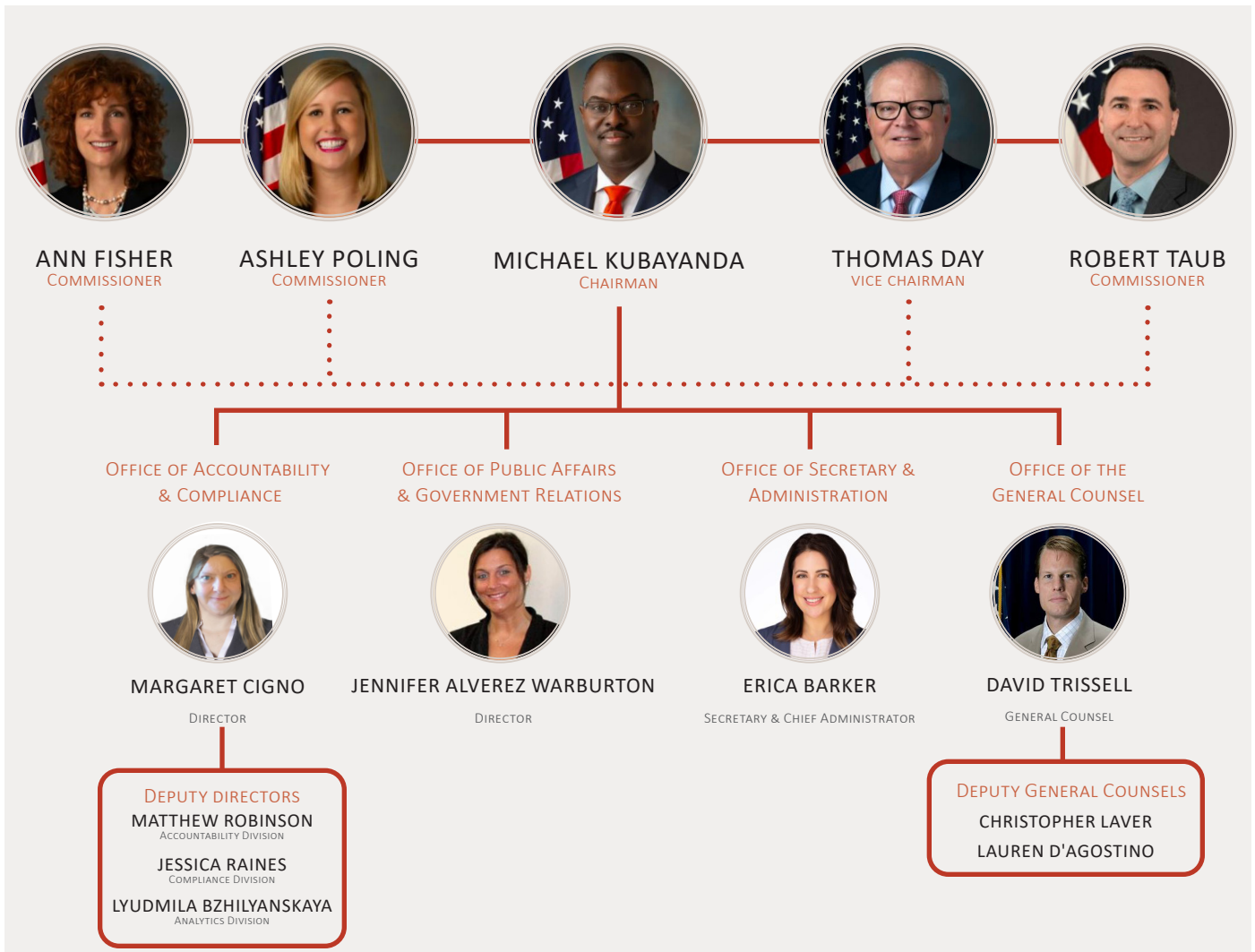
Staff and Office Structure

Commission staff has expertise in law, economics, finance, statistics, and cost accounting.

The Commission is organized into four operating offices:

<p>OFFICE OF ACCOUNTABILITY & COMPLIANCE</p> <p>The Office of Accountability and Compliance is responsible for technical analysis and formulating policy recommendations for the Commission on domestic and international matters.</p>	<p>OFFICE OF THE GENERAL COUNSEL</p> <p>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.</p>
<p>PUBLIC AFFAIRS & GOVERNMENT RELATIONS</p> <p>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.</p>	<p>OFFICE OF SECRETARY & ADMINISTRATION</p> <p>The Office of the Secretary and Administration records the Commission's official actions; manages the Commission's records, human resources, budget and accounting, and information technology; and provides other support services.</p>

**Figure II-1
FY 2024 Organizational Structure**



Strategic Planning & Foresight

At the start of FY 2023, the Commission implemented its new 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’s recognition and anticipation of a potentially significant degree of change to the postal system and the Postal Service during the strategic planning period led to a foresight-based strategic planning process that explored multiple future scenarios. To support a foresight-based strategic planning effort, the Commission engaged Toffler Associates, a strategic advisory firm that assists civilian and defense government organizations and commercial entities with scenario planning.

The Strategic Plan is based on a hierarchy of four strategic goals, followed by strategic objectives, and performance indicators. Together, these elements provide the strategic focus and priorities for the Commission. During its inaugural year of implementing its ambitious five-year Strategic Plan, the Commission has established its strategic planning framework, leadership, governance structure, project management to achieve tangible results while setting the stage for continued success and momentum.

Here are the strategic goals for 2023-2028 with a summary of the progress the Commission has made for each of the four strategic goals:

STRATEGIC GOAL 1

Anticipate and adapt to an evolving postal system through a responsive and trusted regulatory framework.

**PROGRESS
TYPE OF REGULATOR**

Several foundational initiatives are underway for Goal 1, including a Stakeholder Analysis, efforts to examine internal processes, and data efforts related to accessibility of postal data. The outcomes of these initiatives will enhance the efficiency of the Commission’s mission critical work and will provide key insights for other upcoming initiatives.

STRATEGIC GOAL 2

Enhance and expand communication of accurate and relevant regulatory information to postal stakeholders, policymakers, and the general public.

**PROGRESS
AUDIENCE AND COMMUNICATIONS**

The key initiative taking place for Goal 2 is the website redesign effort. Significant progress has been made in engaging critical Commission stakeholders regarding their website inputs. The Stakeholder Analysis Initiative from Goal 1 will inform future Goal 2 efforts.

STRATEGIC GOAL 3

Develop an internal infrastructure to support and strengthen our regulatory capabilities through adaptive policies, efficient processes, and scalable platforms.

**PROGRESS
CAPABILITY MODERNIZATION**

Foundational actions are underway, driven by the Chief Data Officer (CDO), to modernize the Commission’s use and management of data. A critical effort also took place to redesign the Commission’s budget process, making it more collaborative and comprehensive. Funding for FY 2024 was secured via the Board of Governors, but long-term financial planning still needs to take place.

STRATEGIC GOAL 4

Build an organization that will attract, develop, and retain a diverse workforce of experts.

**PROGRESS
WORKFORCE AND PEOPLE DEVELOPMENT**

The focus for most strategic initiatives to date was on earlier goals (e.g., Goal 1); however, significant progress has still been made to enhance the onboarding process for new employees. Several new initiatives will take place during FY 2024.



CHAPTER THREE

FY 2023 PROCEEDINGS



The Postal Accountability and Enhancement Act (PAEA)¹ requires the Commission to submit an *Annual Report to the President and the Congress* (Annual Report) that includes an analysis “concerning the operations of the Commission under [Title 39], including the extent to which regulations are achieving the objectives under sections 3622 and 3633” of Title 39 of the United States Code.² These sections contain laws related to Market Dominant and Competitive products, respectively.³ Market Dominant products are those products over which the Postal Service “exercises sufficient market power that it can effectively set the price[s] of such product[s] substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products.”⁴ Competitive products consist of all other products.⁵

The Annual Report must analyze the extent to which regulations are achieving the objectives under section 3622, which relate to Market Dominant products. The modern system for regulating rates and classes for Market Dominant products (Market Dominant Rate System) must be designed to achieve the following objectives in 39 U.S.C. § 3622(b):

1. Maximize incentives to reduce costs and increase efficiency
2. Create predictability and stability in rates
3. Maintain high quality service standards established under 39 U.S.C. § 3691
4. Allow the Postal Service pricing flexibility
5. Assure adequate revenues, including retained earnings, to maintain financial stability
6. Reduce the administrative burden and increase the transparency of the ratemaking process
7. Enhance mail security and deter terrorism
8. Establish and maintain a just and reasonable schedule for rates and classifications without prohibiting the Postal Service from making changes of unequal magnitude within, between, or among classes of mail
9. Allocate the total institutional costs of the Postal Service appropriately between Market Dominant and Competitive products⁶

The Commission initially established regulations governing the Market Dominant Rate System in 2007 shortly after the PAEA was enacted.⁷ In FY 2021, the Commission issued final rules adopting changes to the regulations governing the Market Dominant Rate System after completing its review of the Market Dominant Rate System, which began 10 years after the PAEA was enacted as required by 39 U.S.C. § 3622(d)(3).⁸ The Commission’s review, findings, and proposed and final rules were discussed in the *FY 2021 Annual Report*.⁹

The Annual Report must also analyze the extent to which regulations are achieving the objectives under 39 U.S.C. § 3633 relating to Competitive products.¹⁰ The Commission’s regulations in 39 C.F.R. part 3035 support the requirements of section 3633, which are discussed below under the “Rate Adjustments - Competitive Products” section. This chapter also describes the Commission’s major orders, reports, and proceedings during FY 2023 and early FY 2024.

Rate Adjustments

One of the Commission’s major statutory 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. Rates for Market Dominant and Competitive products are either (1) rates of general applicability or (2) rates not of general applicability. Rates of general applicability are “available to all mailers equally on the same terms and conditions.”¹¹ These rates are available to the general public; examples include Forever Stamps and Priority Mail Flat Rate boxes. All customers pay the same rate for a product, although some products are only available to businesses and not individuals.

In general, rates not of general applicability are offered by the Postal Service to specific mailers through negotiated service agreements (NSAs).¹² NSAs are written contracts between the Postal Service and a mailer that are effective for a defined period of time.¹³ They provide for customer-specific rates, fees, and/or terms of service according to the terms and conditions of the contract.¹⁴

Proposed rate adjustments often include requests to change the Market Dominant or Competitive product lists and the Mail Classification Schedule (MCS), which contains rates, fees, and descriptions for each product. Product list and MCS requirements are discussed below in the “Changes to Product Lists and the Mail Classification Schedule” section.

In FY 2023, the Commission reviewed the Postal Service’s proposed changes to rates for both Market Dominant and Competitive products, along with corresponding MCS changes. Each is discussed below.

Market Dominant Products

RATES OF GENERAL APPLICABILITY

Market Dominant products with rates of general applicability are divided into five mail classes as shown in Figure III-1:

Figure III-1
Market Dominant Classes and Products Rates of General Applicability



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

When the Postal Service decides to change rates of general applicability for any Market Dominant product, it must inform the public and file a request with the Commission to review its planned rate adjustments and related MCS changes no later than 90 days before the planned implementation date of the rate adjustments.¹⁵ The Commission then initiates a proceeding to consider the proposed rate and MCS changes, appoints a Public Representative, and provides an opportunity to comment.¹⁶ When reviewing proposed Market Dominant rate adjustments, the Commission applies the requirements of 39 C.F.R. part 3030, Commission directives and orders, and 39 U.S.C. §§ 3626, 3627, and 3629 to determine whether they are consistent with applicable law.¹⁷

The Commission’s regulations governing Market Dominant rate adjustments have several key features. First, the regulations provide for multiple forms of rate authority, which set the limitation on how much the Postal Service may raise rates.¹⁸ In general, the maximum rate adjustment authority available to the Postal Service for each Market Dominant class consists of the following rate authorities:

- **CONSUMER PRICE INDEX** – Based on changes in the Consumer Price Index for all Urban Consumers
- **DENSITY** – Based on costs to address consequences of declines in the volume of mail per delivery point

- **RETIREMENT OBLIGATION** – Based on statutorily-mandated amortization payments for certain retirement costs
- **NON-COMPENSATORY CLASSES** – Applies to any class where the attributable cost of that class exceeds the revenue from the class
- **BANKED RATE AUTHORITY** – Based on unused rate adjustment authority accumulated for future use¹⁹

Second, the regulations contain provisions governing non-compensatory products that do not cover their attributable cost.²⁰ The regulations prohibit the Postal Service from reducing rates for any non-compensatory product.²¹ Also, if a non-compensatory product is part of a mail class that is compensatory overall, rates for each non-compensatory product in that class must increase by a minimum of 2 percentage points above the percentage increase for that class.²² For example, in FY 2021 the USPS Marketing Mail class covered its attributable costs, but three products within that class did not cover costs.²³ Thus, in the Docket No. R2023-1 Market Dominant rate adjustment, the Postal Service was required to propose rate increases for these products that were at least 2 percentage points above the USPS Marketing Mail class average.²⁴

Third, the regulations set requirements for workshare discounts²⁵:

- If a workshare discount equals the cost avoided by the Postal Service, then the size of the discount cannot change
- If a workshare discount exceeds the cost avoided by the Postal Service, then the size of the discount cannot increase
- If a workshare discount is less than the cost avoided by the Postal Service, then the size of the discount cannot decrease²⁶

The regulations also set specific limitations for setting workshare discounts that do not equal avoided costs.²⁷ The Postal Service may not set a workshare discount that exceeds its avoided costs unless the discount is new, is at least 20 percent less than the existing discount, or relates to a subclass of mail consisting exclusively of mail matter of educational, cultural, scientific, or informational value.²⁸ The Postal Service may not set a workshare discount that is less than its avoided costs unless the discount is new, is at least 20 percent more than the current discount, or produces a passthrough of at least 85 percent.²⁹ If none of these exceptions applies, the Postal Service must apply for a waiver from the Commission at least 60 days before the rate adjustment filing in which the waiver is proposed to apply.³⁰

In FY 2023, the Postal Service filed two notices proposing rate adjustments and related MCS changes for most Market Dominant products in Docket Nos. R2023-1 and R2023-2.³¹ After analyzing the record and considering comments received, the Commission issued orders concluding that the planned rate adjustments, including workshare discounts, were consistent with 39 C.F.R. part 3030 and applicable Commission directives and orders.³² It found that the planned rate adjustments were consistent with

the pricing requirements in 39 U.S.C. § 3626, and the planned MCS changes, as revised in the order, were consistent with applicable law.³³ The new rates and related MCS changes became effective on January 22, 2023 and July 9, 2023.³⁴

When approving the second set of planned rate and MCS changes in Docket No. R2023-2, the Commission observed that the Postal Service's initial rate adjustment filing contained many material errors, including errors in the workpapers for all five mail classes.³⁵ It stated that these errors and issues undermine not only the efficiency of the Commission's review, but also "the overall transparency of the proceeding for all participants and create delays and frustration for mailers and software companies working to implement the proposed price and classification changes."³⁶ Thus, the Commission directed the Postal Service to investigate the source(s) of the inaccuracies and incompleteness with its initial filing and file a report describing the results of its investigation and a plan to correct the identified issues in future rate adjustment proceedings.³⁷ The Postal Service filed this report and plan on July 31, 2023.³⁸

MARKET DOMINANT RATE INCENTIVES

On August 11, 2023, the Postal Service proposed two new Market Dominant rate incentives and related MCS changes named First-Class Mail Growth Incentive and USPS Marketing Mail Growth Incentive.³⁹ These incentives were designed to drive mail owners to increase the volume of First-Class Mail and USPS Marketing Mail entered into the postal network while providing mailers lower overall postage costs on incremental growth.⁴⁰

First-Class Mail and USPS Marketing Mail customers are eligible for the growth incentives when their combined volume of qualifying pieces during the incentive period (CY 2024) exceeds the incentive threshold.⁴¹ Under both growth incentives, every qualifying piece mailed in CY 2024 after the first million pieces would be considered volume eligible for a credit unless the volume of qualifying pieces sent by the mailer in FY 2023 exceeded 1,000,000 pieces.⁴² In that case, a mailer accrues credits after surpassing its FY 2023 volume of qualifying pieces.⁴³ The credits earned are equal to the total actual price paid for all qualifying pieces, divided by the total volume of qualifying pieces, which is then multiplied by the total volume of pieces eligible for credits and finally multiplied by 30 percent.⁴⁴

After reviewing the record and considering comments received, the Commission found that both incentives were consistent with applicable law and could take effect as planned on January 1, 2024.⁴⁵

APPLICATION FOR WAIVER OF RATE INCREASE FOR USPS MARKETING MAIL CARRIER ROUTE

In the FY 2022 ACD, the Commission found that the USPS Marketing Mail class covered its attributable costs, but three products within that class did not cover costs, including USPS Marketing Mail Carrier Route.⁴⁶ Thus, under 39 C.F.R. § 3030.221, the Postal Service was required to propose rate increases for these products that were least 2 percentage points above the USPS Marketing Mail class average in each of its notices of Market Dominant rate adjustment.⁴⁷

On September 27, 2023, the American Catalog Mailers Association (ACMA) filed a motion requesting a temporary waiver of 39 C.F.R. § 3030.221 as applied to the USPS Marketing Mail Carrier Route product in the next Market Dominant rate adjustment proceeding, which it expected the Postal Service to file in early October 2023.⁴⁸ It asserted that because this product almost covered its attributable cost in FY 2022 and has already received above-average price increases in both of the Market Dominant rate increases during FY 2023, raising rates again could cause further volume declines and have other adverse effects.⁴⁹ It stated that waiving this requirement will not harm the Postal Service or mailers.⁵⁰

On October 6, 2023, the Postal Service filed comments on ACMA's motion for temporary waiver explaining that although it supports ACMA's motion in principle, it had already approved the pricing strategy for its forthcoming notice of rate adjustment, which it stated would comply with the Commission's rules and not reflect a potential waiver.⁵¹ That same day, the Postal Service filed a notice proposing rate adjustments and related MCS changes for most Market Dominant products, including rate increases for USPS Marketing Mail Carrier Route that complied with 39 C.F.R. § 3030.221.⁵² Thus, the Commission denied ACMA's motion for temporary waiver as moot.⁵³

RATES NOT OF GENERAL APPLICABILITY

For Market Dominant products, the Postal Service may set rates not of general applicability by entering into NSAs with mailers or groups of mailers.⁵⁴ The Commission reviews these NSAs to ensure they comply with 39 U.S.C. §§ 3622(c)(10) and 3642 as well as the Commission's regulations in 39 C.F.R. part 3040, subparts B and G. Applicable statutory and regulatory provisions require that Market Dominant NSAs either improve the Postal Service's net financial position or enhance the performance of its operational functions.⁵⁵ Also, Market Dominant NSAs may "not cause unreasonable harm to the marketplace" and must be "available on public and reasonable terms to similarly situated mailers."⁵⁶

On August 11, 2023, the Postal Service filed a request to add an NSA with Publisher's Clearing House (PCH NSA) to the Market Dominant product list.⁵⁷ PCH is a direct mail marketing company that sends a variety of letter mail to consumers related to sweepstakes entries, marketing materials, invoicing, and related correspondence.⁵⁸ Under the terms of the PCH NSA, the Postal Service will provide PCH with an initial 1-million-piece mailing of USPS Marketing Mail letters priced at the Postal Service's attributable cost.⁵⁹ This initial mailing will be limited to 1 million dormant prospecting customer addresses, which PCH has not mailed to within the past 3 months.⁶⁰ To maintain the discount on the initial mailing, PCH has committed to certain performance targets for follow-on mailings (both from addresses on the dormant prospecting list to PCH and from PCH to the addresses on the dormant prospecting list) that are expected to result from the initial mailing, also known as the "multiplier effect."⁶¹ Specifically, PCH expects that 2 million pieces will result from the initial mailing, mailed at published rates, within 9 months of the date of the initial mailing.⁶²

To maintain the discount on the initial mailing, PCH will need to achieve at least 50 percent of its forecasted total multiplier volume.⁶³ If PCH does not achieve at least 50 percent of the forecasted multiplier volume, PCH will lose the discount on the initial mailing, which will be paid back to the

Postal Service.⁶⁴ However, if PCH is able to achieve 90 percent or more of its forecasted multiplier volume, the Postal Service will provide an additional discount to PCH off the price paid for the initial mailing in the form of a postage credit, which will have the effect of making the initial mailing essentially free of charge.⁶⁵ If the parties deem the initial mailing and performance satisfactory, an additional second prospecting mailing (“subsequent mailing”) could be authorized at least 6 months after the initial mailing.⁶⁶

After reviewing the record and considering comments received, the Commission issued an order provisionally adding the PCH NSA to the Market Dominant product list.⁶⁷ The Commission found that the PCH NSA was properly classified as a Market Dominant product; was not expected to cause unreasonable harm to the marketplace; and the Postal Service had appropriately committed to making functionally equivalent NSAs available to similarly situated mailers.⁶⁸ With respect to the PCH NSA’s impact on the Postal Service’s net financial position, the Commission expressed concern regarding the lack of an accepted analytical principle for objectively evaluating the contribution of NSAs structured like the PCH NSA, and the Commission faulted the Postal Service for failing to propose such an analytical principle.⁶⁹ The Commission announced that it would be initiating a rulemaking proceeding to develop such an analytical principle for the evaluation of future NSAs (At the time of publication of this report, the Commission’s proposed proceeding to create a regulatory framework for such NSAs is on hold, as the Postal Service withdrew the PCH NSA despite the Commission’s approval early in FY 2024).⁷⁰

Nevertheless, the Commission found that the risk of the PCH NSA failing to improve the Postal Service’s net financial position was minimized.⁷¹ Moreover, given the PCH NSA’s small scale, the Commission found that it had the potential to serve as a useful experiment, offering the Postal Service the opportunity to pilot a novel NSA structure with minimal financial risk, and providing both the Postal Service and the Commission with valuable data and experience that will be useful in developing an accepted analytical principle to be applied to future NSAs structured like the PCH NSA.⁷² However, the Commission stated that it will not approve any other NSAs structured like the PCH NSA until a relevant accepted analytical principle is in place.⁷³

The Commission directed the Postal Service to file monthly data with respect to the PCH NSA, as well as to file a report prior to authorizing a subsequent mailing that explains the metrics used to determine whether PCH’s initial mailing was a success.⁷⁴ The Postal Service was also required to promptly notify the Commission of the PCH NSA implementation date.⁷⁵



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.⁷⁶ For proposed changes to rates or classes not of general applicability, the Postal Service must provide 15 days' advance notice.⁷⁷ The notice of proposed rate or class adjustment must include an explanation and justification for the proposed changes, the effective date of the new rates or classes, and either a schedule of the changed rates or the record of proceedings regarding the changes.⁷⁸

The Commission then initiates a proceeding to consider the proposed rate or class adjustments, appoints a Public Representative, and provides an opportunity for comment. It reviews proposed rate adjustments for Competitive products to ensure they comply with three statutory requirements in 39 U.S.C. § 3633(a):

1. Market Dominant products must not subsidize Competitive products⁷⁹
2. Revenue for 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”⁸⁰
3. All Competitive products must collectively cover what the Commission determines to be an appropriate share of the Postal Service’s institutional costs⁸¹

Competitive rate adjustments must also comply with the Commission’s rules in 39 C.F.R. part 3035. In FY 2023, 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.

RATES OF GENERAL APPLICABILITY

Competitive products with rates of general applicability are grouped into domestic and international products, as shown in Figure III-2:

**Figure III-2
Domestic and International Competitive Products**



^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. FY 2022 ACD at 72 n.104; see MCS § 2645.

^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 2022 ACD at 80 n.128; see MCS § 2615.

Source: 39 C.F.R. pt. 3040, subpt. A, Appendix B; FY 2022 ACD at 72, 75.

On November 10, 2022, the Postal Service filed a notice proposing changes in rates of general applicability for several domestic and international Competitive products, along with proposed changes to the MCS.⁸² After reviewing the record and considering comments received, the Commission approved the proposed rate adjustments and MCS changes, finding that they complied with 39 U.S.C. § 3633(a) and the Commission’s regulations in 39 C.F.R. part 3035.⁸³ The new rates and MCS changes became effective on January 22, 2023.⁸⁴

On February 10, 2023, the Postal Service proposed changes in rates of general applicability for First-Class Package Service (FCPS) and Parcel Select.⁸⁵ The Postal Service also proposed MCS changes for these two products.⁸⁶ After reviewing the record and considering comments received, the Commission approved the proposed rate changes.⁸⁷ The Commission also approved all of the proposed MCS changes except for two proposed changes, which the Commission denied on procedural grounds.⁸⁸ The new rate and MCS changes became effective on July 9, 2023, except as superseded by other Commission action.⁸⁹



On May 10, 2023, the Postal Service filed another notice proposing more rate and MCS changes for FCPS and Parcel Select.⁹⁰ After reviewing the record and considering comments received, the Commission approved the proposed rate and MCS changes, noting that most of the proposed changes were previously approved.⁹¹ The new rate and MCS changes became effective on July 9, 2023.⁹²

RATES NOT OF GENERAL APPLICABILITY

NEGOTIATED SERVICE AGREEMENTS

For Competitive products, in general the Postal Service sets rates not of general applicability by entering into NSAs with specific mailers. These NSAs require prior Commission review for compliance with 39 U.S.C. § 3633(a) and 39 C.F.R. part 3035. In FY 2023, the Commission reviewed and approved 280 Competitive NSAs: 245 domestic and 35 international. Table III-1 shows the number of NSAs the Commission approved between FY 2019 and FY 2023.

Table III-1
Competitive NSAs Approved by the Commission,
FY 2019 through FY 2023^a

COMPETITIVE NSAs		FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
		 Domestic	245	122	131	218
 International	35	9	5	49	25	
TOTAL	280	131	136	267	216	



^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.

Source: www.prc.gov; select References then Negotiated Service Agreements.

Products with non-published rates enable the Postal Service to enter into contracts featuring negotiated rates without prior Commission approval of the rates specific to each contract. The Commission reviews rates for the product as a whole for compliance with statutory standards, rather than the rates for each contract before implementation. These non-published rate contracts must comply with applicable filing and regulatory requirements, including pre-approved pricing formulas, minimum cost coverage, and documentation. The absence of prior review of specific contract rates streamlines the approval process, providing the Postal Service with additional flexibility.

In FY 2023, the Postal Service implemented 277 NSAs with non-published rates. Table III-2 shows the number of non-published rate NSAs implemented by the Postal Service between FY 2019 and FY 2023.

**Table III-2
Non-Published Rate NSAs Implemented by the Postal Service,
FY 2019 through FY 2023**

NON-PUBLISHED RATE	FY 2023	FY 2022	FY 2021	FY2020	FY 2019
 Global Expedited Package Services Non-Published Rates 1-15	90	134	159	380	326
 Priority Mail Non-Published Rates 1 & 2	187	82	120	125	116
TOTAL	277	216	279	505	442

Source: www.prc.gov; select References then Negotiated Service Agreements.

BUSINESS RATE CARD

On May 12, 2023, the Postal Service filed a notice proposing to add new, non-published rates called “Business Rate Card (BRC)” for Priority Mail Express, Priority Mail, and USPS Ground Advantage.⁹³ BRC rates would only be available to business customers using the USPS Click-N-Ship platform.⁹⁴ These rates are dynamically adjustable, which allows the Postal Service to respond to competitors’ targeted pricing or changing market conditions.⁹⁵ Dynamic rates would not be allowed to fall below the established price floor submitted to the Commission in any price cell.⁹⁶

After reviewing the record and considering comments received, the Commission conditionally approved the proposed BRC rates and accompanying MCS changes.⁹⁷ It found that proposed rate and MCS changes complied with 39 U.S.C. § 3633(a) and were appropriately classified as rates not of general applicability.⁹⁸ However, the Commission stated that the Postal Service’s request for proposed changes was incomplete because they did not contain the actual terms and conditions governing access to BRC rates, which “caused delay in the Commission’s consideration of and ultimate conditional approval of the request.”⁹⁹ For this reason, the Commission conditioned its approval of the BRC rate and MCS changes on the Postal Service implementing the terms and conditions as represented.¹⁰⁰ It directed the Postal Service to file a copy of the BRC rate terms and conditions at least 15 days before the rates become effective, which the Postal Service filed on August 28, 2023.¹⁰¹

INBOUND LETTER POST

Under the Universal Postal Union (UPU) Convention, by June 1, 2023, the Postal Service had to submit to the UPU any self-declared rates for Inbound Letter Post Small Packets and Bulky Letters that would become effective on January 1, 2024.¹⁰² On April 28, 2023 the Postal Service filed a notice with the Commission proposing specific per-item and per-kilogram self-declared rates for Inbound Letter Post Small Packets and Bulky Letters, which would become effective on January 1, 2024.¹⁰³ Based on its review of the record and comments received, the Commission issued an order finding that the self-declared rates complied with 39 U.S.C. § 3633(a) and 39 C.F.R. part 3035.¹⁰⁴

INBOUND PARCEL POST (AT UPU RATES)

Inbound Parcel Post (at UPU rates) is a Competitive product for the acceptance and delivery of inbound parcels weighing up to 70 pounds from foreign postal operators at air rates, surface rates, and e-commerce parcel rates.¹⁰⁵ Rates for Inbound Parcel Post (at UPU rates) are rates not of general applicability because they are only available to foreign postal operators. Under the Regulations of the UPU Convention, the Postal Service and other foreign postal operators may qualify for semi-annual increases to their “base” rates for inbound air parcels if they provide certain value-added services.¹⁰⁶ These rate increases are applied to the base rates effective January 1 and July 1 of each year.¹⁰⁷

On November 22, 2022, the Postal Service filed a notice announcing its intention to change rates not of general applicability for Inbound Parcel Post (at UPU rates) effective January 1, 2023.¹⁰⁸ The Commission analyzed the planned rate changes and issued an order acknowledging them, finding that they satisfied the relevant statutory and regulatory requirements of 39 U.S.C. § 3633(a) and the Commission’s rules.¹⁰⁹

ASSUMED FEDERAL INCOME TAX

Each year, the Postal Service is required to calculate the assumed Federal income tax on income from its Competitive products and to transfer the amount calculated from the Competitive Products Fund to the Postal Service Fund.¹¹⁰ On January 11, 2023, the Postal Service filed its calculation of the assumed Federal income tax on Competitive products income for FY 2022.¹¹¹ Responding to an information request, the Postal Service filed a revised calculation of the FY 2022 assumed Federal income tax on Competitive products “based on an intervening Commission order with respect to the appropriate accounting treatment of the forgiveness of the Postal Service’s retiree health benefit (RHB) prefunding liabilities in FY 2022 pursuant to the Postal Service Reform Act of 2022 (PSRA).¹¹² After reviewing the record and comments received, the Commission approved the Postal Service’s revised FY 2022 calculation of the assumed Federal income tax on Competitive products’ income in accordance with 39 C.F.R. § 3060.42.¹¹³

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.¹¹⁴ 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 3040.¹¹⁵ 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 output¹¹⁶

Second, a product covered by the postal monopoly may not be transferred from the Market Dominant product list.¹¹⁷ Third, the Commission must consider concerns of the private sector, product users, and small businesses.¹¹⁸ 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” section above.¹¹⁹

In FY 2023, the Commission approved the Postal Service’s request to (1) remove Priority Mail International Regional Rate Boxes (PMI RRB) – Non-Published Rates and PMI RRB Contracts from the Competitive product list and (2) change the Competitive classification language concerning Global Reseller Expedited Package (GREP) Contracts.¹²⁰

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.¹²¹ The Postal Service may propose changes to the MCS by filing a request, which the Commission reviews for compliance with its regulations.¹²² In FY 2023, the Commission approved the Postal Service’s proposed MCS changes

concerning the Priority Mail Express and Priority Mail Loyalty Program as well as several Market Dominant international mail Special Services.¹²³

Rulemakings Amending Commission Regulations Institutional Cost Contribution Requirement

The PAEA requires Competitive products to “collectively cover what the Commission determines to be an appropriate share of the [Postal Service’s] institutional costs... .”¹²⁴ The “appropriate share” is the minimum amount that Competitive products as a whole must contribute to institutional costs annually.¹²⁵ At least every 5 years, the Commission must revisit its regulations concerning the appropriate share to determine if the minimum contribution requirement should be “retained in its current form, modified, or eliminated.”¹²⁶ When making this determination, the Commission must consider “all relevant circumstances, including the prevailing competitive conditions in the market, and the degree to which any costs are uniquely or disproportionately associated with any competitive products.”¹²⁷

On January 9, 2023, the Commission issued an order finalizing rules relating to the appropriate share.¹²⁸ This order resolved the issues previously identified by the District of Columbia Circuit (D.C. Circuit) and concluded the Commission’s third 5-year review of the appropriate share pursuant to 39 U.S.C. § 3633(b).¹²⁹ First, the Commission described its statutory interpretation of 39 U.S.C. § 3633(a)(3) and (b) and how those provisions interact with the rest of the PAEA.¹³⁰ After considering alternative statutory interpretations proposed by commenters, it concluded that its interpretation accounted for the full text and structure of section 3633, as well as for the PAEA’s legislative history and purposes.¹³¹

Second, the Commission addressed comments regarding its analysis of “all relevant circumstances” listed in section 3633(b) and concluded that its dynamic formula-based approach for calculating the appropriate share captures “all relevant circumstances, including the prevailing competitive conditions in the market.”¹³² Third, the Commission considered specific costs and alternatives to the appropriate share raised by comments.¹³³ Based on its analysis and review of comments received, the Commission readopted the dynamic formula-based approach to calculating the appropriate share, which is codified in 39 C.F.R. § 3035.107(c).

Revisions to Service Performance Reporting Requirements

On September 21, 2022, the Commission issued an NPR proposing several changes to the existing annual and periodic service performance reporting requirements for Market Dominant products, as well as related changes consistent with the PSRA.¹³⁴

After reviewing the record and considering comments received, the Commission adopted final rules on February 9, 2023.¹³⁵ The final rules impose new requirements on the Postal Service to periodically report:

- The average actual “delivery days” (days in which Market Dominant products are eligible for delivery) for each Market Dominant product
- Point impact data (the number of percentage points by which on-time performance decreased due to a specific root cause of failure) for the top 10 root causes of on-time performance failures
- Data related to its Site-Specific Operating Plans (SSOPs), by Region, Division, and at the National level
- Information on nonpostal products, consistent with the new PSRA requirements
- Information regarding mail excluded from measurement.¹³⁶

Additionally, the Commission adopted specific requirements for the Postal Service’s online dashboard, which included reporting service performance data for each District, and Area, and at the National level.¹³⁷ The dashboard should “provide a 5-Digit ZIP Code lookup feature that allows the user to enter their ZIP Code and review the service performance results for the corresponding District.”¹³⁸ The Postal Service must report processing scores for political, election, and nonprofit mail “to the extent identifiable.”¹³⁹ The Commission also set implementation deadlines for the Postal Service dashboard and directed the Postal Service to include a detailed explanation of the methodology and underlying data with the dashboard.¹⁴⁰

Competitive Negotiated Service Agreements

On February 24, 2023, the Commission issued an ANPR to codify regulations for adding Competitive NSAs to the Competitive product list.¹⁴¹ The goals of the rulemaking are to codify and streamline procedures and standards pertaining to Competitive NSAs to “provide increased clarity concerning filing requirements and the review process” while maintaining the pricing flexibility NSAs afford the Postal Service.¹⁴² Considering these goals, the Commission developed a conceptual framework that contains a three-track system for reviewing Competitive NSAs.¹⁴³

The Commission invited general comments and sought comments on several specific topics, including the proposed framework.¹⁴⁴ This proceeding is pending.

Performance Incentive Mechanism

On January 15, 2021, the Commission issued an ANPR to seek input on performance incentive mechanisms (PIMs) that would maximize incentives to increase efficiency and reduce costs, maintain high-quality service standards, and assure financial stability (including retained earnings).¹⁴⁵ Regulators use PIMs to set a target for acceptable performance by a regulated entity in a specific area and attach financial benefits and/or consequences to ensure compliance.¹⁴⁶ The Commission invited comments on ideas for PIMs that would:

- Connect direct financial consequences with increasing efficiency, reducing costs, and maintaining high-quality service standards
- Incentivize the Postal Service to increase efficiency and reduce costs using an operational efficiency-based requirement such as Total Factor Productivity
- Maintain high-quality service standards and hold the Postal Service accountable for consistently achieving those standards¹⁴⁷
- This rulemaking was held in abeyance pending resolution of an appeal before the D.C. Circuit, and the Commission reactivated the proceeding on June 12, 2023.¹⁴⁸ The Commission sought input on the topics identified in the ANPR and is currently considering comments received. This proceeding is pending before the Commission.

Rate Incentives for Market Dominant Products

On November 14, 2022, the Commission issued a second NPR proposing amendments to the Commission's regulations concerning rate incentives for Market Dominant products appearing in 39 C.F.R. part 3030.¹⁴⁹ For purposes of Market Dominant rate adjustment proceedings, the proposed amendments would revise the regulation defining "rate of general applicability" to clarify that "to qualify as a rate of general applicability, a rate incentive may not be based on historical mail volumes or prior mailer participation in a rate incentive or promotion."¹⁵⁰ The Commission clarified that a characteristic of the mail "is a feature of the mail sent, not of the mailer sending the mail."¹⁵¹

The Commission also proposed to republish and begin enforcing two rules previously adopted in Order No. 5510.¹⁵² Enforcing these rules would (1) add an additional criterion for a rate incentive to be eligible for inclusion in a percentage change in rates calculation and (2) require that a notice of rate adjustment include more information concerning Market Dominant rate incentives.¹⁵³

The Commission sought comments on the proposed rules and received three comments and one reply comment.¹⁵⁴ After comments were filed, the Postal Service proposed two Market Dominant rate incentives in Docket No. R2023-3 for First-Class Mail and USPS Marketing Mail, which the Commission approved.¹⁵⁵ Because these incentives were proposed after the time frame for submitting comments,

the Commission provided an opportunity to comment on the relationship between the proposed rules and these rate incentives.¹⁵⁶ This rulemaking is currently pending before the Commission.

International Mail Rule Changes

When conducting United States foreign policy regarding international postal and delivery services, the Secretary of State must coordinate with other government agencies, including the Commission.¹⁵⁷ Coordination about foreign affairs requires the timely, free, and frank flow of information between agencies. To set appropriate expectations about the status of these foreign-policy deliberations, the Commission initiated a rulemaking to consider proposed changes to its rules in 39 C.F.R. part 3011 that pertain to non-public materials, “which are any documents or things provided to the Commission identified as containing non-public information.”¹⁵⁸ Specifically, it proposed to exempt non-public materials submitted to the Commission in connection with foreign-policy deliberations under 39 U.S.C. § 407(b)(2)(A) from the requirements in 39 C.F.R. part 3011, as well as revise certain rules in 39 C.F.R. part 3006 pertaining to requests filed under the Freedom of Information Act (FOIA).¹⁵⁹

After reviewing the record and considering comments received, the Commission adopted the rule changes as proposed with clarifying revisions to procedures for FOIA requests.¹⁶⁰ The revised rules were intended to strike a reasonable balance between ensuring the free flow of information in the interagency deliberative process and maintaining adequate transparency.¹⁶¹

Annual Reports

Besides the Annual Report to Congress, the Commission issues three other reports each year that analyze information from the Postal Service’s Annual Compliance Report (ACR). The ACR analyzes costs, revenues, rates, and quality of service for Market Dominant and Competitive products.¹⁶² The ACR also includes information about mail volumes, service performance, and customer satisfaction for Market Dominant products, as well as information on workshare discounts and market tests.¹⁶³ The PAEA requires the Postal Service to prepare and submit the ACR to the Commission within 90 days after the fiscal year ends on September 30.¹⁶⁴

The Commission’s Annual Compliance Determination (ACD) assesses the Postal Service’s compliance with statutory pricing and service requirements. The Financial Analysis Report analyzes the Postal Service’s overall financial position. The Analysis of Postal Service Performance Goals and Performance Plan evaluates whether the Postal Service met its performance goals and makes related recommendations. In FY 2023, each report was issued in Docket No. ACR2022 and is described below.¹⁶⁵

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.¹⁶⁶ The Commission publishes its analysis of the ACR in the ACD.

The Commission issued the FY 2022 ACD on March 29, 2023, and made several principal findings and directives, which are shown in Figure III-3.

**Figure III-3
FY 2022 ACD Principal Findings and Corresponding Directives/Recommendations**

Findings		Directives/Recommendations
<ul style="list-style-type: none"> • Three workshare discounts had passthroughs equal to 100 percent. • Twenty-one workshare discounts had passthroughs that exceed 100 percent. • Thirty-nine workshare discounts had passthroughs that were less than 85 percent. 	 WORKSHARE DISCOUNTS	<ul style="list-style-type: none"> • The Postal Service cannot change workshare discounts with passthroughs equal to 100 percent in any rate adjustment proceeding occurring before the FY 2023 ACD is issued. • The Postal Service must bring workshare discounts with passthroughs that exceed 100 percent into compliance consistent with 39 C.F.R. § 3030.283 in the next rate adjustment proceeding. • The Postal Service must bring workshare discounts with passthroughs less than 85 percent into compliance consistent with 39 C.F.R. § 3030.284 in the next rate adjustment proceeding.
<ul style="list-style-type: none"> • The Periodicals class was non-compensatory. • Revenue for both products in the Periodicals class (In-County and Outside County) did not cover attributable costs. • There were five non-compensatory products within compensatory classes: <ul style="list-style-type: none"> • USPS Marketing Mail Flats • USPS Marketing Mail Carrier Route • USPS Marketing Mail Parcels • Media Mail/Library Mail • Money Orders 	 MARKET DOMINANT NON-COMPENSATORY CLASSES & PRODUCTS	<ul style="list-style-type: none"> • The Commission encourages the Postal Service to continue maximizing its use of rate authority granted under 39 C.F.R. § 3030.222 and maximize its revenue by strategically pricing Periodicals. • For USPS Marketing Mail Flats, USPS Marketing Mail Carrier Route, and USPS Marketing Mail Parcels, the Postal Service must increase the price for each product by at least 2 percentage points above the USPS Marketing Mail class average in each generally applicable Market Dominant rate proceeding. • For Media Mail/Library Mail, the Postal Service must increase prices by at least 2 percentage points above the Package Services class average in each generally applicable Market Dominant rate proceeding. • For Money Orders, the Postal Service must increase prices by at least 2 percentage points above the Special Services class average in each generally applicable Market Dominant rate proceeding.
<ul style="list-style-type: none"> • Revenues for five Competitive products did not cover their attributable costs: International Money Transfer Service (IMTS)—Inbound, IMTS—Outbound, Competitive International Ancillary Services, and two NSAs. • Questions remain regarding the Postal Service’s Pilot Program concerning Gift Cards.^a • The Postal Service’s Interagency Agreements (IAAs)^b provided a net contribution to the Postal Service as required by 39 U.S.C. § 3704. • An accepted methodology is needed to calculate the revenue and attributable costs associated with IAAs. 	 COMPETITIVE PRODUCTS	<ul style="list-style-type: none"> • The Postal Service must take corrective actions for the Competitive products that did not cover attributable costs except for the NSA that expired in FY 2022. • The Postal Service must continue reporting quarterly information on the Gift Cards Pilot Program—including volume, revenue, and cost—as well as future plans for the Pilot Program as long as it remains effective. • The Postal Service must develop a proposed methodology for calculating and attributing costs and revenue to IAAs and initiate an analytical principles rulemaking proceeding under 39 C.F.R. § 3050.11 no later than May 31, 2023.

^a The Pilot Program for Gift Cards allows postal retail customers to use payroll and business checks to purchase stored value Gift Cards, which is a Competitive product. FY 2022 ACD at 4. To date, the Postal Service has sold 7 gift cards as a part of this pilot program.

^b IAAs are Postal Service agreements with other government agencies for providing nonpostal products. Id.

Source: FY 2022 ACD at 1-4, 18-19, 22, 27, 29, 36-37, 48, 52-53, 56-57, 61-62, 64, 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 set by the Postal Service.¹⁶⁷ It found that a significant number of Market Dominant products failed to meet their annual service performance targets for FY 2022.¹⁶⁸ Figure III-4 below shows whether each

Market Dominant product achieved their annual service performance targets for FY 2022. Of the 27 Market Dominant products/categories measured, 13 products/categories did not meet their targets in FY 2022, and some were substantially below the applicable target.¹⁶⁹

Figure III-4
FY 2022 Service Performance Results for Market Dominant Products



Source: FY 2022 ACD at 105.

The Commission found that reduced employee availability, transportation disruptions, and changes in the mail mix continued to affect service performance results in FY 2022.¹⁷⁰ For the noncompliant products shown in Figure III-4, the Commission directed the Postal Service to improve service performance results to achieve the applicable on-time percent target level in FY 2023.¹⁷¹ It developed directives designed to elicit information and data regarding service performance for non-compliant products and the steps the Postal Service will need to take to restore service performance for these products in FY 2023.¹⁷² These directives included continued Postal Service reporting of specific information developed from its internal metrics within 90 days after the FY 2022 ACD was issued and as part of the FY 2023 ACR.¹⁷³

Financial Analysis

The Commission issued its Financial Analysis of the United States Postal Service Financial Results and 10-K Statement for FY 2022.¹⁷⁴ The report provided comprehensive analysis of the Postal Service's financial status primarily using information reported in its FY 2022 Form 10-K and its FY 2022 Integrated Financial Plan.¹⁷⁵ The Commission found that in FY 2022, the Postal Service recorded a net loss from operations of \$0.5 billion, a \$2.2 billion improvement from FY 2021.¹⁷⁶ The decrease in the FY 2022 net operating loss was the result of a \$1.6 billion increase in revenue and a \$0.5 billion decrease in operating expenses.¹⁷⁷

The Commission found that at the end of FY 2022:

- The Postal Service's total net loss excluding the removal of the RHB liability was \$0.9 billion
- The Postal Service experienced the highest positive growth recorded in capital assets since the start of the PAEA
- Cash and cash equivalents (excluding restricted cash) totaled \$19.6 billion, a decrease of \$4.3 billion
- Operating revenue was \$78.6 billion, which was \$1.6 billion more than FY 2021
- Total operating expenses were \$79.1 billion, which were \$0.5 billion less than FY 2021
- Approximately 72.6 percent of total expenses were personnel-related¹⁷⁸

Analysis of Performance Goals

Each year, the Commission must evaluate whether the Postal Service met the performance goals established in the Postal Service's annual performance report and performance plan.¹⁷⁹ The Commission may also provide the Postal Service with recommendations related to protecting or promoting public policy objectives in Title 39.¹⁸⁰

On June 28, 2023, the Commission issued a detailed analysis of the Postal Service's progress during FY 2022 toward its four performance goals: (1) High-Quality Service, (2) Excellent Customer Experience, (3) Safe Workplace and Engaged Workforce, and (4) Financial Health.¹⁸¹ In its analysis, the Commission evaluated whether the FY 2023 Annual Performance Plan and FY 2022 Annual Performance Report complied with 39 U.S.C. §§ 2803 and 2804.¹⁸² Also, the Commission found that the Postal Service either met or partially met each performance goal in FY 2022.¹⁸³ 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.¹⁸⁴

Public Inquiries

Public inquiry dockets are established by the Commission to provide a venue to explore issues of general interest. Six public inquiry dockets were before the Commission in FY 2023 that dealt with matters related to the Postal Service’s Delivering for America strategic plan (DFA Plan), the classification of FCPS, postal cost attribution regulations, the value of the postal monopoly, the cost of the Universal Service Obligation (USO), and resolving suspended Post Offices.

Delivering for America Plan

On April 20, 2023, the Commission established a public inquiry docket in Docket No. PI2023-4 to examine the recent and planned network changes associated with the Postal Service’s DFA Plan.¹⁸⁵ The DFA Plan is the Postal Service’s 10-year strategic plan announcing potential changes intended to achieve financial stability and service excellence.¹⁸⁶ The DFA Plan describes several significant changes to the Postal Service network, including plans to redesign and modernize its processing and delivery network by creating sorting and delivery centers (S&DCs) nationwide.¹⁸⁷ S&DCs will consolidate multiple delivery units and package sortation operations into one facility.¹⁸⁸



The Commission observed that “stakeholders have expressed concerns regarding a lack of a forum to explore the impacts of these proposed changes” resulting from the DFA Plan.¹⁸⁹ It stated that providing a forum to learn more about DFA Plan initiatives that may significantly impact the postal community would be beneficial and promote transparency.¹⁹⁰ Accordingly, the Commission established a public inquiry docket to provide a forum for seeking more information about the S&DCs and other planned initiatives associated with the DFA Plan.¹⁹¹

The Postal Service subsequently filed a motion asking the Commission to reconsider its order establishing the public inquiry and withdraw Docket No. PI2023-4 for several reasons.¹⁹² First, it asserted that the Commission lacked statutory authority to initiate this proceeding and failed to identify any legal authority for doing so.¹⁹³ It took the position that the Commission has no oversight over the Postal Service’s strategic plans, and the Commission may not rely on its authority under 39 U.S.C. §§ 503 and 504(f).¹⁹⁴ Second, the Postal Service asserted that the Commission lacks authority to review the DFA Plan because it is a forward-looking document that the Postal Service regularly evaluates, updates, and revises.¹⁹⁵ Third, it observed that inquiring into specific initiatives within the DFA Plan are properly resolved through other proceedings that permit Commission review and public input, such as advisory opinions.¹⁹⁶

Several parties filed responses to the Postal Service’s motion.¹⁹⁷ After reviewing the motion and considering comments received, the Commission issued an order denying the motion for reconsideration.¹⁹⁸ The Commission found that the motion was premature because it had merely opened a public inquiry docket and had not issued any orders or directives.¹⁹⁹ It reiterated that the public inquiry was not intended to be an advisory opinion or comprehensive review of the DFA Plan.²⁰⁰ The Commission explained that it previously recognized that portions of the DFA Plan, such as workforce-related initiatives and legislative advocacy, fall outside the scope of the Commission’s jurisdiction.²⁰¹ It stated that “where planned and implemented initiatives may implicate Commission oversight, the Commission must ensure these initiatives comply with statutory and regulatory requirements[,]” and the public inquiry docket was an appropriate forum for doing so.²⁰²

Five Chairman’s Information Requests (CHIRs) were issued.²⁰³ This proceeding is pending before the Commission.

Classification of First-Class Package Service

On April 7, 2023, the Commission issued an order initiating a public inquiry on the classification of First-Class Package Service (FCPS) (now part of the expanded USPS Ground Advantage product).²⁰⁴ FCPS was a Competitive product that allowed customers to ship under-1-pound packages across the continental United States in 2 to 5 business days.²⁰⁵ The Commission described the historical classification of FCPS and explained how FCPS was transferred from the Market Dominant to the Competitive product list.²⁰⁶ It then described recent developments regarding FCPS that led to concerns about whether FCPS should be classified as a Competitive product.²⁰⁷ The Commission stated that it “recognize[d] that the larger history of price increases and reductions in service standards raised by the commenters may call into question whether FCPS is correctly classified as a Competitive product.”²⁰⁸ Thus, it initiated this public inquiry to examine this issue further.

The Commission invited interested persons to comment on whether FCPS, or its equivalent within USPS Ground Advantage, is correctly classified as a Competitive product.²⁰⁹ One CHIR was issued and six comments and reply comments were filed. This proceeding is currently pending before the Commission.

Review of Postal Service Cost Attribution Regulations

Postal cost attribution involves allocating the Postal Service’s incurred costs to each mail class, product, and service. The Postal Service uses a two-tier costing system to categorize its accrued costs.²¹⁰ It first identifies all costs that can be reliably and causally linked to individual postal products or groups of products and attributes those costs to products or product groupings.²¹¹ All remaining costs are classified as institutional.²¹²

The PSRA required the Commission to initiate a review of postal cost attribution regulations issued pursuant to 39 U.S.C. §§ 3633(a) and 3652(a)(1) “to determine whether revisions are appropriate to ensure that all direct and indirect costs attributable to competitive and market-dominant products are properly attributed to those products”²¹³ During this review, the Commission must also consider the underlying methodologies in determining cost attribution, as well as options to revise these methodologies.²¹⁴ After notice and public comment, if the Commission determines that revisions are appropriate, it must make changes or adopt alternative methodologies as necessary.²¹⁵

The Commission initiated this review on March 31, 2023 by establishing a public inquiry in Docket No. PI2023-2.²¹⁶ It sought comments on whether any changes are necessary to regulations and analytical principles (including costing methodologies or cost models) related to postal cost attribution “to ensure that all direct and indirect costs attributable to competitive and market-dominant products are properly attributed to those products”²¹⁷ This proceeding is currently pending before the Commission.

Value of the Postal Monopoly

In Chapter IV of the Annual Report, the Commission estimates the value of the Postal Service’s combined letter and mailbox monopolies, which are referred to as the postal monopoly. The Annual Report includes a separate estimate of the value of the mailbox monopoly alone.²¹⁸ The letter monopoly is the Postal Service’s exclusive right to carry and deliver most addressed, paper-based correspondence.²¹⁹ The mailbox monopoly is the Postal Service’s exclusive right to deliver to and collect from mailboxes.²²⁰

In FY 2020, the Commission initiated a public inquiry docket to evaluate the methodology for estimating the value of the postal and mailbox monopolies (Estimation Methodology).²²¹ The Commission requested comments on the Estimation Methodology.²²² On August 31, 2023, after reviewing the record and considering comments received, the Commission issued an order revising the Estimation Methodology to account for the effect of City Carrier Cost System (CCCS) data changes.²²³ It filed an accompanying library reference consisting of data used to develop FY 2020 and FY 2021 estimates of the value of the postal monopoly and mailbox monopoly.²²⁴

The Commission stated that it would accept comments on the revised Estimation Methodology and accompanying library reference.²²⁵ Docket No. PI2020-1 remains pending to allow the Postal Service to file data the Commission requires to estimate the value of the combined postal and mailbox monopolies in the Annual Report, as well as consider other issues the Commission may designate.²²⁶

Universal Service Obligation Valuation Methodology

On December 10, 2020, the Commission initiated a public inquiry docket to consider potential changes to the Commission’s methodology for estimating the cost of the USO (USO Cost).²²⁷ The Commission last considered this methodology in its 2008 report on the USO and postal monopoly.²²⁸ In this report, the Commission explained that the Postal Service’s overarching USO is set forth in 39 U.S.C. § 101(a), which requires the Postal Service to “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.”²²⁹

In the USO Report, the Commission estimated the USO Cost, which it updates each year in the Annual Report, based on the methodological approach adopted in the USO Report.²³⁰ This methodology was based on economic, technical, legislative, and societal considerations in 2008, which have potentially changed since then.²³¹ Thus, the Commission established Docket No. PI2021-1 to revisit the assumptions underlying this methodology to ensure that the Commission’s estimated USO Cost reflects the current environment in which the Postal Service operates.²³²

The Commission sought public comment on any and all aspects of the methodology for estimating the USO Cost, including suggestions for revising any outdated assumptions and input on what data or analytical methods would be necessary to incorporate suggested changes into the methodology.²³³ It identified frequency of delivery and maintaining small Post Offices as two USO Cost components with valuation assumptions that appear ripe for revisiting.²³⁴

To facilitate potentially updating or improving selected inputs into the Commission’s calculation of the USO Cost, four CHIRs were issued, and responses were filed by the Postal Service. This proceeding is currently pending before the Commission.

Resolving Suspended Post Offices

On February 3, 2022, the Commission established a proceeding concerning suspended Post Offices.²³⁵ A Post Office suspension occurs when the Postal Service stops operations at a Post Office because of an emergency or similar situation.²³⁶ The Commission explained that it has monitored the Postal Service’s progress in resolving suspended Post Offices for multiple fiscal years, primarily via its ACR review proceedings.²³⁷ In recent ACDs, the Commission expressed concern regarding the large number of suspended Post Offices and the apparent lack of commitment by the Postal Service in addressing and resolving them.²³⁸ Accordingly, the Commission initiated this public inquiry docket “to identify and address issues impeding the Postal Service’s progress in resolving these suspended post offices in a timely manner.”²³⁹ It sought input from the public regarding suggested procedures or courses of action for how the Postal Service may expeditiously resolve suspended Post Offices.²⁴⁰

The Commission received three comments, and one CHIR was issued. This proceeding is currently pending before the Commission.

Proposals to Change Analytical Principles

Analytical principles are economic, mathematical, or statistical theories or assumptions the Postal Service applies when producing reports it submits to the Commission each year, such as the ACR.²⁴¹ In these reports, the Postal Service must use only those analytical principles previously accepted by the Commission and applied in the most recent ACD, unless a different analytical principle has been subsequently approved through a Commission proceeding.²⁴²

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.²⁴³ Petitions are filed with the Commission as numbered proposals. Proposals must be designed to improve the quality, accuracy, or completeness of data or data analysis in the reports that the Postal Service submits each year to the Commission.²⁴⁴

During FY 2023, the Commission considered 10 Postal Service proposals and 1 proposal filed by NPPC et al. The Commission issued final orders for all but two proposals. Major proposals are described below.

Completed Proposals

DOCKET NO. RM2023-9 (PROPOSAL FOUR)

In Proposal Four, the Postal Service proposed a new methodology to adjust the Priority Mail transportation costs utilized for financial projections of the expected cost coverage for NSAs.²⁴⁵ First, the proposed changes would make a correction to the base year Priority Mail Transportation Cost Model.²⁴⁶ Second, Proposal Four would create a new mechanism for adjusting transportation costs by zone.²⁴⁷

The Commission approved Proposal Four because it found that “the proposed revisions to the analytical principles related to Priority Mail transportation costs by zone represent an improvement to the quality, accuracy, and completeness of the analysis of data contained in the Postal Service’s annual periodic reports to the Commission.”²⁴⁸ It explained that the two proposed changes represent an improvement to the quality and accuracy of analysis because they allow the Postal Service to account for operational changes occurring throughout the fiscal year.²⁴⁹ The Postal Service stated that it anticipates transportation network changes to continue in the remainder of CY 2023 and into CY 2024, indicating that prior fiscal year Priority Mail costs (with inflation applied) may no longer be appropriately predictive of the Priority Mail NSAs’ expected costs.²⁵⁰ Therefore, this update represented an improvement in the analysis of expected cost coverage of each NSA.²⁵¹

DOCKET NO. RM2023-4 (PROPOSAL ONE)

Proposal One sought to update the Postal Service’s methodology for calculating workshare discount passthrough percentages for dropshipped, flat-shaped USPS Marketing Mail pieces.²⁵² The Postal Service explained that, in its next notice of rate adjustment for Market Dominant products, it intended to revise its pricing for flat-shaped USPS Marketing Mail pieces with piece and pound price components by using a pricing structure “based primarily upon pieces” rather than one based upon pounds.²⁵³ The Postal Service stated that, under this revision, every piece, regardless of weight, will pay a fixed per-piece price depending on where the price was entered.²⁵⁴ The Postal Service also explained that pieces heavier than the breakpoint will pay a per-pound price for pounds above the breakpoint.²⁵⁵ Moreover, all dropship discounts will be “piece-price based,” and pound prices will not vary by dropship entry point.²⁵⁶

The Postal Service asserted that, by replacing the old structure “with the new structure based upon pieces rather than pounds, workshare discount passthrough percentages cannot vary with the different weights of the pieces mailed because passthrough percentages will be calculated independently of the volumes and weights of pieces mailed.”²⁵⁷ Therefore, according to the Postal Service, “the new pricing paradigm removes the underlying cause of the problem where it was difficult, and sometimes impossible, for the Postal Service to make passthrough percentages for some flat-shaped [USPS] Marketing Mail pieces comply” with 39 C.F.R. §§ 3030.283 and 3030.284.²⁵⁸ The Postal Service asserted that its proposal “will allow the Postal Service to retire the current methodology for calculating workshare discount passthrough percentages at issue here and use the same methodology as it uses for most other products, dividing the per-piece discount by the per-piece cost avoidance”²⁵⁹ The Postal Service provided examples of the proposed pricing structure and workshare discount passthrough calculations “[u]sing illustrative, revenue-neutral prices from the new pricing paradigm.”²⁶⁰

The Commission approved Proposal One because it will improve accuracy under the Postal Service’s planned rate structure.²⁶¹ It stated that because the planned price structure will be based upon pieces rather than pounds, the existing methodology to calculate the passthrough would no longer align with planned rate structure.²⁶² The Commission found that Proposal One’s revision to the passthrough calculation better reflects the pricing elements of the planned rate structure and produces a more accurate measure of workshare discount compliance than the existing methodology used to calculate passthroughs.²⁶³



Dockets Related to Removing Prefunding Payment Liabilities

DOCKET NOS. RM2023-1, RM2023-2 (PROPOSAL SEVEN), AND RM2023-3 (NPPC ET AL. PROPOSAL ONE)

These three dockets pertained to the accounting treatment of the PSRA's removal of prefunding payment liabilities²⁶⁴ culminating with the Commission's approval of Proposal Seven in Docket No. RM2023-2.²⁶⁵

Retiree health benefit normal costs represent the present value of the estimated retiree health benefits attributable to active employees' current year of service.²⁶⁶ Between FY 2017 and FY 2021, the Postal Service was required to pay retiree health benefit normal costs and amortization payments for the unfunded portion of the Postal Service Retiree Health Benefit Fund (PSRHBF) obligation as calculated by the Office of Personnel Management.²⁶⁷ When the PSRA was enacted, among other changes, it repealed this requirement and instead required that the Postal Service pay into the PSRHBF for current retiree health care costs equal to the excess of the cost of annual claims over premiums.²⁶⁸

The PSRA's removal of prefunding liabilities resulted in a one-time reversal of \$57.0 billion accrued but unpaid RHB prefunding liabilities between September 2012 and September 2021.²⁶⁹ On August 12, 2022, the Postal Service filed with the Commission a letter explaining its proposed costing treatment of retiree health benefit normal costs in FY 2022.²⁷⁰ The Commission initially approved the Postal Service's proposed approach, but reversed its approval in response to a petition for reconsideration.²⁷¹ The Commission issued Order No. 6363 granting the petition for reconsideration in part and describing how accepted analytical principles would apply to the treatment of retiree health benefit normal costs in FY 2022.²⁷² It stated that if any party seeks to change this approach, it needed to file a petition to change analytical principles pursuant to 39 C.F.R. part 3050.²⁷³

The Commission received two responses to Order No. 6363. First, the Postal Service filed a petition proposing an accounting treatment for the removal of the Postal Service's retiree health benefit prefunding liabilities effected by the PSRA, which the Commission designated as Proposal Seven.²⁷⁴ Second, several mailers filed a petition seeking to include, accrue, and attribute retiree health benefit normal costs in the Postal Service's and Commission's reporting and analysis of FY 2022 and future years, which the Commission designated as NPPC et al. Proposal One.²⁷⁵ Each proposal is discussed below.

DOCKET NO. RM2023-2 (PROPOSAL SEVEN)

Proposal Seven sought a modification to the CRA that would not recognize the effect of removal of the liability as a negative expense.²⁷⁶ The Postal Service offered two alternatives for recording the PSRA adjustment.²⁷⁷ Alternative One would not include the \$57.0 billion in the CRA.²⁷⁸ Consequently, the total expenses in the General Ledger would not match the total costs in the CRA for FY 2022, and the

data in the supporting reports (CRA, Cost Segment and Component Reports (CSC)) for FY 2022 would be unreconciled with the general ledger and not accurate and complete in comparison with the Postal Service's FY 2022 Form 10-K.²⁷⁹

Alternative Two would include the \$57.0 billion in the CRA and also reconcile the supporting reports with the Postal Service's FY 2022 Form 10-K.²⁸⁰ The Commission found that Alternative Two was more accurate and improved transparency by reporting the \$57.0 billion in the supporting documents, which Alternative One does not.²⁸¹ The Commission approved Proposal Seven with a modification to Alternative Two.²⁸²

DOCKET NO. RM2023-3, NPPC ET AL. PROPOSAL ONE

NPPC et al. Proposal One sought to ensure that retiree health benefit normal costs are treated as accrued in FY 2022 and attributed to products as they have been in past years.²⁸³ After reviewing the record and considering comments received, the Commission rejected NPPC et al. Proposal One.²⁸⁴ The Commission explained that attributing costs for which there is no actual expense in a given fiscal year would result in less accurate costing data, could cause illogical and unfair pricing effects, would not improve the quality of the comparability of data across fiscal years, and is inconsistent with the PAEA's cost causation standards.²⁸⁵

OTHER COMPLETED PROPOSALS

In FY 2023, the Commission approved Postal Service proposals to:

- Modify the Parcel Select (PS)/Parcel Return Service (PRS) mail processing and transportation cost models²⁸⁶
- Improve and streamline the ICRA Cost model provided in ACR Library Reference NP2²⁸⁷
- Develop procedures for estimating the revenues and costs associated with interagency agreements²⁸⁸
- Revise analytical principles that apply to Contract Delivery Service costs²⁸⁹
- Use additional sampling of peak season trips with the Transportation Cost System to develop a separate distribution key for the costs in peak season highway accounts²⁹⁰

PENDING DOCKETS

DOCKET NO. RM2022-3 (PROPOSAL ONE)

Proposal One sought to update and improve the methodology for calculating attributable city carrier, letter route, street time costs.²⁹¹ This would be accomplished through a new study of city carrier street time costs that relies upon expanded operational carrier data and employs an overall top-down model as requested by the Commission in Docket No. RM2015-7.²⁹² This proceeding is currently pending before the Commission.

DOCKET NO. RM2023-11 (PROPOSAL SIX)

Proposal Six sought to make changes to the mail processing and destination entry cost models for letter-shaped USPS Marketing Mail pieces to account for recent price structure changes.²⁹³ This proceeding is currently pending before the Commission.

DOCKET NO. RM2022-1 (PRIORITIES FOR FUTURE DATA COLLECTION AND ANALYTICAL WORK)

In FY 2021, the Commission established a proceeding to set priorities for future data collection and analytical work.²⁹⁴ The purpose of this proceeding was “to consider possible improvements to the quality, accuracy, or completeness of data” the Postal Service provides in the ACR.²⁹⁵ The objective was “to arrive at a consensus as to the priorities that should be assigned to various areas of future research and the nature of the data and analytical methods that future research should employ.”²⁹⁶

Participants filed comments and reply comments, and the Commission subsequently approved several Postal Service petitions to change analytical principles.²⁹⁷ On May 8, 2023, the Commission issued an order directing the Postal Service to submit an update describing developments and progress from the time it filed reply comments on April 29, 2022.²⁹⁸ In the update, the Postal Service was required to:

- Describe progress made on each of the research topics identified in its initial comments
- Identify and describe any new research topics it proposes to include in this docket
- Set a tentative schedule and action plan for each research topic
- Include any other information it proposes that the Commission consider²⁹⁹

The Postal Service filed the update on June 16, 2023.³⁰⁰ The Commission stated that after reviewing this update, it intends to provide future procedural guidance for further participation in this proceeding, which may include additional opportunity for comments and technical conferences concerning particular research topics.³⁰¹ This proceeding is currently pending before the Commission.

Other Proceedings

Several other proceedings were before the Commission in FY 2023, which are described below.

Market Tests

The PAEA permits the Postal Service to conduct market tests of experimental products, which allows the Postal Service to offer products and services for a limited time period without being subject to the applicable requirements of 39 U.S.C. §§ 3622, 3633, or 3642, or the regulations promulgated under those sections.³⁰² Before initiating a market test, the Postal Service must provide at least 30 days’ advance notice to the Commission through a filing containing certain information.³⁰³ A proposed market test cannot proceed unless the experimental product satisfies three requirements:

- From the viewpoint of the mail users, the product is significantly different from all products offered by the Postal Service within the 2-year period preceding the start of the test
- The introduction or continued offering of the experimental product will not create an unfair or otherwise inappropriate competitive advantage for the Postal Service or any mailer, particularly in regard to small business concern.
- The Postal Service identifies the product as either Market Dominant or Competitive³⁰⁴

A market test may not exceed 24 months in duration unless the Commission authorizes an extension for up to an additional 12 months.³⁰⁵ Generally, experimental product revenues may not exceed \$10 million in any fiscal year (in FY 2008 dollars, adjusted for CPI-U), unless the Commission grants an exemption.³⁰⁶ For each market test, the Postal Service must provide quarterly reports of volumes and revenues disaggregated by geographic area, as well as reports of attributable costs incurred in conducting the test.³⁰⁷

One market test was active in FY 2023. On January 4, 2022, the Commission authorized the market test of an experimental product called USPS Connect Local Mail, which offers an alternative to long-distance end-to-end mailing that business mailers may use to send documents locally with regular frequency.³⁰⁸ It provides same-day or next-day delivery, 6 days per week, with customers receiving same-day or next-day delivery based on when they enter their mail.³⁰⁹

PROPOSED CONVERSION TO PERMANENT OFFERING

The Commission's regulations permit the Postal Service to add an experimental product to the Market Dominant or Competitive product list as a new, permanent offering by filing a request under 39 U.S.C. § 3642 and 39 C.F.R. part 3040, subpart B.³¹⁰ On October 11, 2022, the Postal Service filed an initial request to convert the USPS Connect Local Mail experimental product to a permanent offering.³¹¹ The Commission dismissed without prejudice the Initial Request because it did not "contain the information required by law and necessary for the Commission to determine the appropriateness of converting USPS Connect Local Mail to a permanent product offering . . ." ³¹² It provided the Postal Service the opportunity to refile a compliant request, which the Postal Service submitted on November 9, 2022.³¹³

Commenters raised significant issues concerning whether converting USPS Connect Local Mail to a permanent offering would violate 39 U.S.C. § 404a.³¹⁴ Section 404a, in relevant part, prohibits the Postal Service from establishing any rule, regulation, or standard that effectively "precludes competition or establish the terms of competition unless the Postal Service demonstrates that the regulation does not create an unfair competitive advantage for itself or any entity funded (in whole or in part) by the Postal Service[.]"³¹⁵ Specifically, commenters pointed out that the Postal Service was restricting payment options for USPS Connect Local Mail to those the Postal Service provides, which they alleged precludes or establishes the terms of competition for postage evidencing services.³¹⁶ After reviewing the filings and comments received, the Commission dismissed the Revised Request

without prejudice.³¹⁷ The Commission found that commenters raised meaningful issues suggesting that converting USPS Connect Local Mail to a permanent offering may violate section 404a, and the Postal Service did not adequately address these issues.³¹⁸ Also, the Commission observed that the Revised Request was premature because of several cost, operational, and pricing uncertainties with USPS Connect Local Mail that required further investigation before converting it to a permanent offering.³¹⁹ It stated that it expects a future revised conversion request to meaningfully address four topics: (1) projections of costs, product performance, volume trends, and seasonality; (2) revenues and financial stability; (3) impact of S&DCs on customer demand; and (4) appropriate pricing options.³²⁰

EXTENSION OF MARKET TEST

On December 13, 2023, the Commission approved the Postal Service's request to extend the USPS Connect Local Mail market test for another 12 months to expire on January 9, 2025.³²¹ The Commission stated that granting an extension would provide the Postal Service more time to address issues identified with converting the USPS Connect Local Mail experimental product to a permanent offering.³²² It directed the Postal Service to continue filing quarterly data collection reports and to include updates describing its progress toward allowing third-party payment options.³²³

Complaints

A complaint may be filed with the Commission by any interested person (including the Public Representative) who believes the Postal Service is not complying with certain requirements of Title 39.³²⁴ Within 90 days after it receives a complaint, the Commission must issue an order that either (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.³²⁵ The Commission's rules governing complaints are codified in 39 C.F.R. part 3022.

COMPLAINT OF MARK ALLAN EDWARDS

On July 7, 2023, Mark Allan Edwards filed a complaint pursuant to 39 U.S.C. §§ 3662(a), 401(2), and 403(c) with the Commission challenging the Postal Service's decision to terminate delivery of oversized packages to his front door.³²⁶ The Postal Service filed a motion to dismiss the complaint.³²⁷ The Commission issued an order³²⁸ finding that the Complaint raised material issues of fact relevant to whether the Postal Service's actions or inactions violated 39 U.S.C. § 403(c), which prohibits the Postal Service from making any undue or unreasonable discrimination among mail users, as well as granting any undue or unreasonable preferences to a mail user.³²⁹

The Commission initiated limited formal proceedings and appointed a Presiding Officer to determine outstanding issues of material fact.³³⁰ The Presiding Officer issued a ruling establishing a procedural schedule and case management procedures and setting dates for discovery, a prehearing video conference, and hearing of evidence.³³¹ The Presiding Officer also issued two information requests.³³² The complaint is currently pending before the Commission.

OTHER COMPLAINTS

On November 4, 2022, Stephen Stahlman filed a complaint pursuant to 39 U.S.C. §§ 3662(a) and 101(b) concerning the cancellation of mail delivery service to his home.³³³ The Postal Service filed a motion to dismiss the complaint.³³⁴ The Commission granted the motion to dismiss and dismissed the complaint with prejudice because Mr. Stahlman failed to state a claim for which relief can be granted, did not comply with the Commission's rules for filing complaints, and requested relief that the Commission does not have the authority to grant.³³⁵

However, in an effort to help Mr. Stahlman, the Commission referred the matter to the Postal Service as a rate or service inquiry pursuant to 39 C.F.R. § 3022.13(b).³³⁶ Within 45 days after receiving the rate or service inquiry, the Postal Service was required to advise the Commission in writing, with a copy to Mr. Stahlman, of its resolution of the inquiry or its inability or refusal to do so.³³⁷ On March 17, 2023, the Postal Service filed with the Commission a letter to Mr. Stahlman responding to his inquiry.³³⁸

On February 6, 2023, the Commission received a complaint pursuant to 39 U.S.C. §§ 3662(a), 3691(d), and 403(c) from Richard Orville, Torp challenging the Postal Service's decision to terminate general delivery service to him at the South Haven Post Office.³³⁹ The Postal Service filed a motion to dismiss the complaint.³⁴⁰ Before the Commission acted on the complaint, Mr. Orville, Torp filed an appeal with the D.C. Circuit, which is discussed below under "Court of Appeals Cases."

On May 3, 2023, the Commission granted the motion to dismiss in part and dismissed the complaint without prejudice because Mr. Orville, Torp did not comply with the Commission's rules for filing complaints.³⁴¹ Although the complaint alleged statutory violations within the Commission's subject matter jurisdiction, the Commission found that Mr. Orville, Torp did not provide "any nexus between the facts presented and those alleged statutory violations for the Commission to review."³⁴²

On October 17, 2023, an unnamed postal customer (Complainant) filed a complaint with the Commission concerning the suspension of mail delivery to her home.³⁴³ The Postal Service filed a motion to dismiss the complaint, which Complainant opposed.³⁴⁴ Complainant also filed a motion for preliminary injunctions, which the Postal Service opposed.³⁴⁵ On November 28, 2023, the Postal Service filed a response stating that it does not oppose Complainant's request for a temporary stay to determine the prospects for settling this complaint.³⁴⁶ The Commission granted the motion to dismiss in part and dismissed with prejudice all claims except for one alleging undue discrimination under 39 U.S.C. § 403(c).³⁴⁷ It referred the matter to the Postal Service as a rate or service inquiry pursuant to 39 C.F.R. § 3022.13(b).³⁴⁸

On February 2, 2024 the Postal Service advised the Commission that the complaint is resolved and the parties agreed to relocate the customer's delivery point.³⁴⁹

POST OFFICE CLOSING APPEALS

The PAEA permits any person served by a Post Office to appeal its closing or consolidation to the Postal Regulatory Commission.³⁵⁰ In FY 2023, there were two Post Office closing appeals that the Commission ultimately dismissed for lack of jurisdiction. On July 25, 2023, Daniel Karmolinski and Dorothy Karmolinski appealed the Postal Service’s determination to close the Westbrookville Community Post Office (CPO) located in Westbrookville, New York.³⁵¹ The Commission dismissed the appeal with prejudice because it lacked jurisdiction to consider appeals of contractor-operated facilities such as CPOs that were not the “sole source” of postal services for the community.³⁵²

On August 16, 2023, Catherine Hackett-Brown appealed the Postal Service’s determination to close the Sherwood retail facility located in Topeka, Kansas.³⁵³ The Commission dismissed the appeal with prejudice for lack of jurisdiction because the facility in question was a mail sorting and delivery facility that did not fall under the Commission’s jurisdiction over Post Office closings.³⁵⁴

FLATS OPERATIONS STUDY

Flat-shaped mail (flats) refers to large envelopes, magazines, and other flexible, rectangular mail that meet certain criteria.³⁵⁵ Service performance and operational efficiency for flats has historically been below other types of mail. Thus, the PSRA required the Commission to conduct a Flats Operation Study (Flats Study) to comprehensively identify the causes of inefficiencies when collecting, sorting, transporting, and delivering flats.³⁵⁶ The Flats Study must also quantify the effects of the volume trends, investment decisions, excess capacity, and Postal Service operational inefficiencies on flats attributable costs.³⁵⁷

To implement the Flats Study, the Commission initiated Docket No. SS2022-1 to facilitate receiving data and information from the Postal Service to prepare the report.³⁵⁸ In addition to reviewing flats data provided by the Postal Service, Commission staff also visited Postal Service facilities, visited mailers’ facilities, contracted with an operations expert, and consulted with the Postal Service Office of Inspector General. On April 6, 2023, the Commission issued the Flats Study and made several principal findings:

- In FY 2022, the cost coverage for all flats products increased, but unit attributable costs also increased for most flats products
- Since FY 2010, total flats volume has declined by 43.4 percent, an average of 4.6 percent annually
- Six pinch points that the Commission identified in past ACDs continue to contribute to flats cost and service issues: bundle processing, automated processing, manual sorting, allied operations, transportation, and last mile/delivery
- Bundle breakage often results in inefficient manual processing of individual flats, and reported bundle breakage rates are likely underestimated

- For manual flats sorting, measuring both workhours and volumes are unreliable because of clocking errors and the lack of machine counts
- Insufficient data and data quality issues make it difficult to assess the Postal Service’s ability to improve flats processing efficiency³⁵⁹

The PSRA also required the Postal Service to either develop and implement a plan to remedy each inefficiency identified in the Flats Study (Flats Plan) or explain why remedying such inefficiency is impracticable.³⁶⁰ The Commission must approve the Flats Plan before the Postal Service implements it.³⁶¹ The Postal Service submitted the Flats Plan to the Commission for approval on October 6, 2023.³⁶² To evaluate the Flats Plan for approval, the Commission sought further information from the Postal Service and invited comments from interested persons on whether the Flats Plan was consistent with applicable statutory requirements.³⁶³ This proceeding is currently pending before the Commission.

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 D.C. Circuit within 30 days after it becomes final.³⁶⁴ Four appeals of Commission decisions were pending before the D.C. Circuit in FY 2023.

On February 25, 2022, UPS filed a petition for review of Order No. 6048 rejecting UPS Proposal One.³⁶⁵ The D.C. Circuit issued an order holding the appeal in abeyance pending the issuance of a final order in Docket No. RM2022-2 concerning institutional costs.³⁶⁶ The Commission issued a final order in Docket No. RM2022-2 when it finalized rules related to the appropriate share in Order No. 6399.³⁶⁷ UPS also appealed Order No. 6399,³⁶⁸ and the D.C. Circuit issued an order setting briefing schedules for both court of appeals cases.³⁶⁹ Oral argument for both appeals occurred on December 5, 2023.

On January 6, 2023, the Postal Service appealed Order No. 6363 that reversed the Commission’s previous approval of the Postal Service’s proposed costing treatment of retirement debt relief.³⁷⁰ The Postal Service and the Commission subsequently filed a joint motion to hold the appeal in abeyance until the completion of Docket No. RM2023-2 concerning Proposal Seven.³⁷¹ On March 17, 2023, the Commission issued a final order in Docket No. RM2023-2372 and filed a status report with the D.C. Circuit stating that parties will file motions as required by the court.³⁷³

On April 3, 2023, Richard Orville, Torp filed a petition for review concerning the complaint he filed with the Commission.³⁷⁴ This petition was filed before the Commission issued a final order dismissing the complaint.³⁷⁵ On May 18, 2023, the Commission filed a motion asking the D.C. Circuit to dismiss the petition for review as premature because the petition was filed before the Commission took any action on the complaint.³⁷⁶

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 UPU.³⁷⁷ 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.³⁷⁸ 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.³⁷⁹

In FY 2023, the Commission also 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 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 advance proposals and develop U.S. Government positions for the UPU Extraordinary Congress in Riyadh, Saudi Arabia. These included proposals to open the UPU to the wider postal sector in order to facilitate greater operational interconnectivity and interoperability between postal operators and the private sector to the benefit of consumers. These also included proposals to modernize international postal products and services. The UPU Extraordinary Congress adopted all of these proposals.

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



Photo Credit: USPS

CHAPTER FOUR

UNIVERSAL SERVICE OBLIGATION & 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, and (7) an enforcement mechanism.³⁸⁰

The postal monopoly is the Postal Service’s exclusive right to carry and deliver certain types of mail and deposit mail into mailboxes.³⁸¹ Unlike the cost of the USO (USO Cost), the Commission is not required to estimate annually the value of the postal monopoly. In this chapter, the Commission provides estimates for both the USO Cost and 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. Also, the Commission initiated public inquiry proceedings to consider potential changes to the Commission’s methodology for estimating the USO Cost and postal monopoly.³⁸²




Estimated USO Cost

The PAEA requires the Commission to estimate the costs incurred by the Postal Service in providing three types of public services or activities:³⁸³

- Postal services to 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 2018 through FY 2022.³⁸⁴ Components of the USO are discussed individually below.

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

	2022	2021	2020	2019	2018
 Postal Services to Areas of the Nation the Postal Service Would Not Otherwise Serve	853	826	765	760	706
 Estimated Revenue Not Received Due to Free or Reduced Rates	1,797	2,034	1,964	1,895	1,786
 Other Public Services or Activities	3,353	3,323	3,167	3,131	2,916
TOTAL	6,003	6,184	5,896	5,785	5,409

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 under 39 U.S.C. § 3651(b)(1), describes related statutory requirements, and explains the methodologies used to estimate these costs.³⁸⁵

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)[.]³⁸⁶

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 one from FY 2018 through FY 2022.

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 2018 and FY 2022. 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)**

	2022	2021	2020	2019	2018
 Maintaining Small Post Offices ^a	700	663	610	590	551
 Alaska Air Subsidy	133	142	136	135	120
 Group E Post Office Boxes	20	21	20	35	35
TOTAL	853	826	765	759	706

^a The Maintaining Small Post Offices cost figures are higher than previous Annual Reports due to updates and refinements described in Table IV-3. The sum of columns may not equal total due to rounding.

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.”³⁸⁷ The Postal Service uses Cost Ascertainment Group (CAG) classifications A to L to categorize Post Offices based on revenue generated.³⁸⁸ Small Post Offices are those that fall within CAG K and L classifications.³⁸⁹

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.³⁹⁰

Table IV-2 lists the estimated costs of maintaining small Post Offices from FY 2018 through FY 2022. 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.³⁹¹

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 clerks' salary costs.³⁹² 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.³⁹³

**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 2022	FY 2021	FY 2020	FY 2019	FY 2018
CAG K and L Postmasters ^a	100	83	73	71	67
Postmaster Relief/Leave Replacements	22	21	20	20	22
Clerks ^b	700	674	629	607	564
Total Potential Operating Costs Saved (If CAG K and L Post Offices Closed)	822	778	722	698	654

Cost Savings Adjustment ^c	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Rural Carrier Now Provides Retail Services Cost ^d	11	12	13	10	8
Rural Carrier Now Provides Delivery Service Cost ^e	55	55	52	51	49
Post Office Boxes Revenue Forgone ^f	57	49	47	47	45
Total FY Cost Savings Adjustment	122	116	112	108	103

Cost of Maintaining Small Post Offices (Potential Operating Costs Saved Less Cost Savings Adjust- ments)	700	663	610	590	551
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Note: The sum of individual row components may not equal totals due to rounding. Estimated costs of Maintaining Small Post Offices for FY 2018 and FY 2019 differ 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 2018 through FY 2022 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 2022. The approximated FY 2019 number of retail visits was used as a proxy for FY 2018 to develop the estimated cost of retail services now provided by rural carriers if small Post Offices were to close.

^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 now 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.

Sources for this table are 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 is based on the following: Docket No. ACR2018, Library Reference USPS-FY18-40, December 28, 2018; and 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-PI2020-1/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 2018 clerk function proportions are based on the average of the clerk function proportions in FYs 2017, 2019 and 2020; 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.; and FY 2022 clerk function proportions were provided in Docket No. PI2021-1, Response to CHIR No. 4, 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.; and FY 2022 was provided in Docket No. PI2021-1, Response to CHIR No. 4, 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. 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 this 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.³⁹⁴ In FY 2022, there was a decrease of \$8.7 million over the FY 2021 Alaska Air Subsidy cost.



GROUP E POST OFFICE BOXES

Group E PO Boxes are provided free of charge to customers when the Postal Service does not offer carrier delivery to their physical address.³⁹⁵ To meet its USO delivery obligation,³⁹⁶ 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.”³⁹⁷ 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.³⁹⁸ Consequently, the Commission included the cost of Group E PO Boxes, which are primarily facility-related, in estimating the USO Cost. In FY 2022, servicing Group E PO Boxes cost approximately \$20.1 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.³⁹⁹

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.]”⁴⁰⁰ 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 2018 and FY 2022.

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

	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
 Preferred Rate of Discounts Net of Costs ^a	1,185	1,207	1,189	1,223	1,172
 Periodicals Losses	612	828	775	671	614
TOTAL	1,797	2,034	1,964	1,895	1,786

^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). The sum of columns may not equal total due to rounding.

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.⁴⁰¹ 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 2022, preferred rate discounts net of costs were \$1.185 billion. The costs declined in FY 2022 principally due to a 35.5 percent decrease in the Nonprofit ECR volume from FY 2021 to FY 2022.

PERIODICALS LOSSES

Periodicals losses are the annual amount by which Periodicals' attributable cost exceeds revenue.⁴⁰² The price cap on Market Dominant products does not allow the Postal Service to fully recover Periodicals losses through rate increases.⁴⁰³ 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.⁴⁰⁴ Accordingly, the Commission considers these losses to be part of the USO Cost.





In FY 2022, Periodicals losses were \$611.7 million. FY 2022 revenue from Periodicals covered 61.1 percent of the attributable cost of the Periodicals class, an increase from 53.2 percent in FY 2021.⁴⁰⁵ On a unit basis, both In-County and Outside County Periodicals revenues increased while costs decreased in FY 2022.⁴⁰⁶

The Periodicals class has routinely failed to cover its attributable cost in the preceding fiscal years.⁴⁰⁷ The Commission took steps to address this issue by finalizing rules adopting changes to the regulations governing the Market Dominant ratemaking system.⁴⁰⁸ 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.⁴⁰⁹ 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 2021.⁴¹⁰ As such, the FY 2018 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 7.6 percent and revenue increased by 1.8 percent from FY 2021 to FY 2022.

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 otherwise have been provided by the Postal Service but for the requirements of law.”⁴¹¹ 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 2018 through FY 2022.

Table IV-5:
Other Public Services or Activities the Postal Service
Would Not Provide but for Legal Requirements (\$ Millions)⁴¹²

PUBLIC SERVICE OR ACTIVITY	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
	 Six-Day Delivery	2,677	2,642	2,518	2,465
 Uniform First-Class Mail Rates	74	66	52	71	99
 Uniform Media Mail/Library Mail Rates	50	76	94	124	97
 Postal Inspection Service (Net Cost)	551	541	503	471	462
TOTAL	3,353	3,324	3,167	3,131	2,916

SIX-DAY DELIVERY

Since 1984, appropriations bills have included a provision requiring the Postal Service to continue providing Six-Day Delivery.⁴¹³ On April 6, 2022, the PSRA codified the Six-Day Delivery requirement in revised 39 U.S.C. § 101(b).⁴¹⁴ 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 2018 through FY 2022.⁴¹⁵ In FY 2022, the estimated cost of providing Six-Day Delivery was approximately \$2.68 billion, an increase from the estimated FY 2021 cost of \$2.64 billion.

UNIFORM RATES

Rates for First-Class Mail must be uniform throughout the United States.⁴¹⁶ 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 \$65.6 million in FY 2021 to \$74.0 million in FY 2022.

Media Mail/Library Mail rates must be uniform for mail of the same weight and must not vary with the distance transported.⁴¹⁷ 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 were not uniform.



In FY 2022, the estimated cost of providing uniform Media Mail/Library Mail rates was approximately \$50.3 million, a decrease from the estimated FY 2021 cost of \$75.8 million. The decrease in cost between FY 2021 and FY 2022 was because the increase in the Media Mail/Library Mail unit contribution was greater than the increase in the unit contribution of Bound Printed Matter in FY 2022.⁴¹⁸

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).⁴¹⁹ The Postal Inspection Service enforces more than 200 federal laws that relate to crimes involving the postal system, its employees, and its customers.⁴²⁰ 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.”⁴²¹ 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.⁴²² 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.

In FY 2022, the net cost of the Postal Inspection Service was approximately \$551.4 million, compared to the estimated FY 2021 net cost of \$541.3 million.⁴²³

Value of the Postal Monopoly

The mailbox monopoly is the Postal Service’s exclusive right to deliver to and collect from mailboxes.⁴²⁴ The letter monopoly is the Postal Service’s exclusive right to carry and deliver most addressed, paper-based correspondence.⁴²⁵ 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.⁴²⁶ 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.⁴²⁷ 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.

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.⁴²⁸ 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.⁴²⁹ 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; and (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.⁴³⁰ The FY 2018 through FY 2022 postal and mailbox monopoly estimates calculated using the base case model assumptions are presented in Table IV-6. The large increase in the value of the postal monopoly between FY 2021 and FY 2022 is due primarily to the increase in Marketing Mail volume.

**Table IV-6:
Base Case Model
Values of the Postal and Mailbox Monopolies⁴³¹ (\$ Billions)**



	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
 Postal Monopoly	4.19	3.10	3.82	4.72	4.53
 Mailbox Monopoly	0.20	0.20	0.86	0.94	1.03

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 this sensitivity of the estimates to these assumptions, the Commission also presents the FY 2022 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).⁴³²

Table IV-7 illustrates the impact on the FY 2022 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; and (4) the percentage of contestable mail skimmed on profitable routes.⁴³³ 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 2022 Value of the Postal and Mailbox Monopolies⁴³⁴ (\$ Billions)**

	Low	Base Case	High
 Postal Monopoly	0.01 ^a	4.19 ^b	8.98 ^c
 Mailbox Monopoly	0.02 ^d	0.20 ^e	0.66 ^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%



Photo Credit: USPS

CHAPTER FIVE

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.

Consumer Relations - Comments and Inquiries

In Fiscal Year 2023, PAGR received over 8,800 questions, suggestions, comments and inquiries. The greatest percentage of these were received through the online “Contact PRC” email link on the [Commission’s](#) website. The remaining contact was by phone and hardcopy mail.

**Table V-1:
FY 2023 Number of Inquiries Received by Contact**

		Q1	Q2	Q3	Q4	TOTAL
		 Email	1,475	2,050	2,117	1,988
 Letters	29	53	59	73	214	
 Phone	230	287	197	243	957	
TOTAL	1,734	2,390	2,373	2,304	8,801	

Commission Order No. 195 directs the Postal Service to respond to rate and service inquiries that the Commission forwards to the USPS Office of the Consumer Advocate within 45 days. The order also requires the Postal Service to file a monthly report summarizing the general nature of inquiries they received. These reports are available on the Commission’s website at www.prc.gov, under the [USPS Reports](#) tab.

INQUIRIES BY ISSUE

As reported to the Commission, and consistent with prior reporting, service-related issues remain the leading complaint type. There was a notable increase in inquiries related to local post offices placing inconsistent mail collection times on external and internal lobby mail collection receptacles. Escalated service-related inquiries are forwarded to the USPS Office of Consumer Advocate for resolution and response.

**Table V-2:
Number of Inquiries Received by Issue in FY 2023**

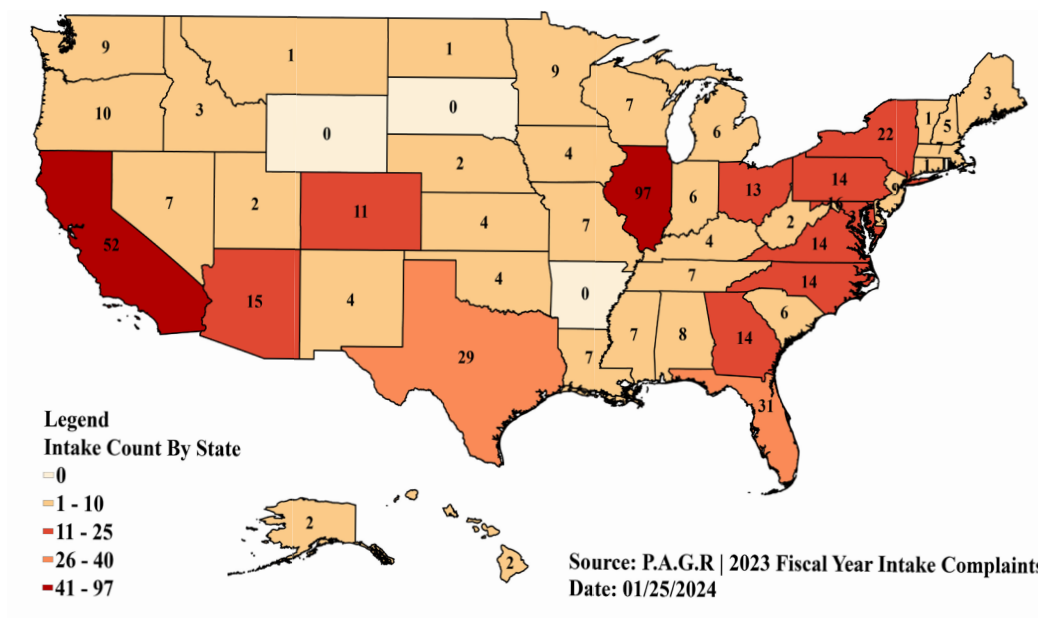
Top Issue	Total
Inconsistent mail collection box schedule	90
Not receiving mail every day	47
Letters missing in the mail	23
Carrier not making an initial attempt to deliver packages	17
Postmaster requesting resident move mailbox	16
Receiving others mail	15
Postmaster suspended delivery service	13
Mail being returned to sender in error	13
Package missing in mail	13
NDCBU damaged, LPO refused to replace	9
Resident incorrectly charged a fee for "Group E No-Fee" P.O. box service	7
Postmaster refusing to meet with developer to establish mode of delivery for new community	7
Mail not forwarded as requested	7
Packages delayed in mail	7

INQUIRIES BY LOCATION

The US Postal Service Retail and Delivery operation is geographically divided into 4 Area Offices and 50 District Offices.

In FY 2023, a review of the inquiries received by postal defined districts revealed that a large percentage of service-related concerns originated in the Illinois 1, California 2, Maryland, Arizona-New Mexico, and Florida 3 postal defined districts.

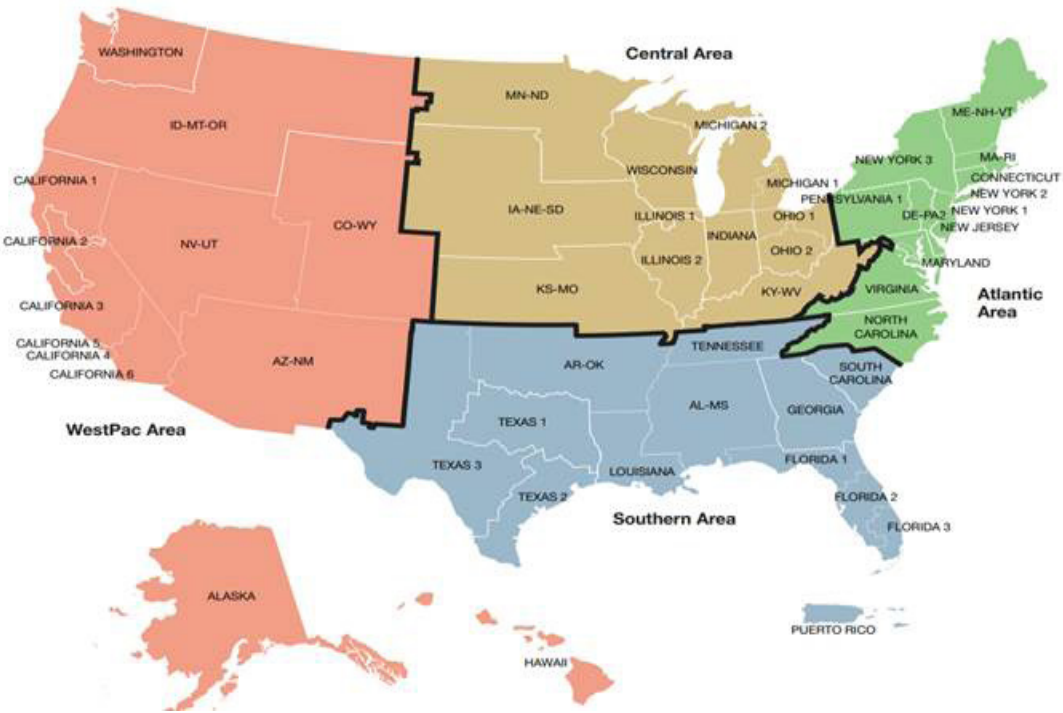
**Figure V-1:
FY 2023 Inquiries Received by State**



**Table V-3
FY 2023 Number of Inquiries Received by Area and District**

Area Office	District	Total Received	Top Issue
Central Area	Illinois 1	79	Lobby – Collection Box - Incorrect Time/Schedule
	KS-MO	13	Postmaster requesting customer move mailbox
Western-Pacific Area	California 2	21	Not receiving mail everyday
	Arizona-New Mexico	17	Carrier not making an initial attempt to deliver packages
Southern Area	Florida 3	16	Employee rude to customer
	Georgia	14	LPO requesting customer move mailbox
	AL-MS	13	Mail being returned to sender in error
	Texas 1	12	Postmaster requesting customer move mailbox
Atlantic Area	Maryland	19	Letters missing in the mail
	North Carolina	14	Not receiving mail every day
	Virginia	14	Not receiving mail every day
	DE-PA	14	Letters missing in the mail
	New York 1	13	Not receiving mail every day

**Figure V-2:
US Postal Service Area/District Map**



Source: USPS Report to Congress: [Fiscal Year 2022 Annual Report to Congress \(usps.com\)](https://www.usps.com/annual-report)



Photo Credit: USPS

CHAPTER SIX

ADMINISTRATION

The Commission's Office of the Secretary and Administration (OSA) has spent the last four years building out its administration systems and services to modernize and standardize the environment to support the agency's core mission and improve user experience. OSA ensures that the Commission has the physical, financial, technological, and human capital infrastructure needed to accomplish its mission. Responsibilities include financial management, records management, human resources management, equal employment opportunity, administrative support, and information technology.

Strategic Planning

The Commission developed and released a new, ambitious strategic plan in FY 2023. OSA is responsible for coordinating the Commission's strategic planning.

During FY 2023, OSA continued to implement significant infrastructure and administrative improvements, striving for the goals of the Commission's 2023-2028 Strategic Plan, particularly for:

- Goal 3 – Develop an internal infrastructure to support and strengthen our regulatory capabilities through adaptive policies, efficient processes, and scalable platforms; and
- Goal 4 – Build an organization that will attract, develop, and retain a diverse workforce of experts.

Financial Management and Budget

To enable the Commission to fulfill its mission and the additional responsibilities created by the PSRA, the agency grew to 82 full-time equivalent (FTE) employees in FY 2023. It also had an increase in total expenses of \$1.7 million (9.3 percent), even with realizing a one-time lease savings of \$1.5 million compared to FY 2022. This growth is necessary as the Commission continues to rebuild after having been underfunded for many years.

FY 2023 BUDGET AND EXPENSES

FY 2023 was the Commission's first time receiving its budget by approval from the United States Postal Service's Board of Governors (USPS Governors). For this fiscal year, the USPS Governors approved the Commission's budget request of \$20,613,000.⁴³⁵ In addition to that budget, the Commission planned to use \$2,000,000 from its prior year balances and \$1,866,000 from its Technology Modernization Fund (TMF) awards, for total planned expenses of \$24,479,000.

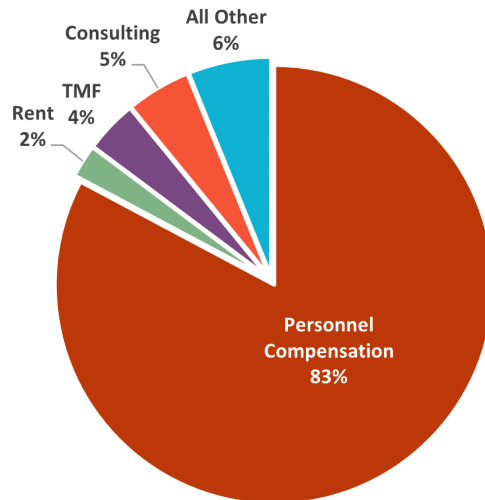
The Commission sought and received an award from the TMF in FY 2022, and again in FY 2023; the Commission has until FY 2025 to use these funds. The TMF, authorized by the Modernizing Technology Government Act of 2017, enables agencies to reimagine and transform the way they use technology to deliver services to the American public in a secure, efficient, and effective manner. In FY 2022, the Commission received a transfer from the TMF in the amount of \$2,029,000 to fund critical cybersecurity and IT infrastructure projects. In FY 2023, the Commission received an additional award

and transfer of \$1,400,000. The Commission anticipates receiving its final transfer of \$616,000 in FY 2024. The Commission will use these funds to adopt cloud-based applications and develop critical platforms that are essential to its regulatory role. This dedicated funding will allow the Commission to commit to the necessary but costly IT investments that would be difficult to accommodate within its normal budget.

In FY 2023 the Commission’s total expenditures totaled \$20,156,258. Of the total expenses, \$782,914 were categorized as TMF expenses. While the Commission’s total expenses were 9.3 percent more than FY 2022, these were \$4.3 million under its plan. This under-execution was due to several factors including delays in hiring, deferred IT project and deferred consulting needs.

Historically, (1) compensation including benefits and (2) rent have accounted for the bulk of Commission expenses. However, in FY 2023 rent only accounted for 2.4 percent of total expenditures due to the Commission receiving approximately \$1.5 million in rent abatements during the fiscal year, which will begin to expire in FY 2024. Personnel compensation accounted for 82.8 percent of expenditures; consulting accounted for 4.8 percent of expenditures; TMF expenses accounted for 3.9 percent of expenditures; and the remaining 6.1 percent of expenditures was for all other operating expenses including IT, training, travel, consulting services, and communications. Figure VI-1 below shows the distribution of the Commission’s expenditures for FY 2023.

**Figure VI-1:
FY 2023 Annual Budget Expenditures**



FY 2024 BUDGET REQUEST

In August of FY 2023, the Commission submitted its FY 2024 Budget Request to the USPS Governors for review and approval; the Commission requested a budget of \$23.399 million for FY 2024. The Governors approved a FY 2024 budget of \$21.124 million, which is \$2.275 million less than originally requested by the Commission. In addition to this approved annual funding, the Commission plans to use approximately \$2.078 million from its TMF award, and \$4.0 million from its prior year balances. Thus FY 2024 expenses are anticipated to total \$27.202 million.

Data and Records Management

DATA MANAGEMENT

In the past fiscal year, the Commission achieved a significant milestone by embarking on the establishment of a comprehensive data management program. Data and records management comprise part of the internal infrastructure and efficient processes that will help the Commission to achieve Strategic Goal 3.

The Commission initiated a strategic effort to create an internal data management system that organizes, streamlines, centralizes, and facilitates the Commission in harnessing the power of data. The CDO is the primary staff member responsible for making this happen. The CDO assessed the agency's current-state data program, developed a plan to modernize capabilities, and designed a scalable and flexible system architecture to meet the Commission's data needs. This management system hosts several key datasets and workflows vital to core Commission activities and stores geospatial data to expand the agency's mapping and geo-analytical resources.

In tandem with building this management system, the CDO's team engaged and interviewed stakeholders and users during FY 2023 to get their data viewpoints and assess their needs to form a short- and long-term data roadmap for the agency. This roadmap, coupled with several technical workshops, significantly advanced the data program at the Commission.

RECORDS AND PRIVACY

The Commission also focused on enhancing administration of its responsibilities relating to compliance with federal records management and privacy requirements/regulations. In July of 2023 the Commission instituted the NARA marking system for internal use of controlled unclassified information (CUI) to apply to personally identifiable information (PII) and business identifiable information (BII) in personnel, pre-contract vendor, and docket-related records. The Commission aims to automate this process during FY 2024.

During FY 2023, records liaisons were selected and trained for each of the Commission's departments, and an annual training requirement was established to provide staff with a basic understanding of their duties and expectations regarding the labeling and disposition of the records they use and/or create. In August of 2023 the Commission's records management and IT staff asked all departments to

assess and provide disposition for their records in accordance with the agency’s Records Schedule to prepare for file migration to O365. This review significantly reduced the quantity of files and memory needing to be transferred and helped staff to better assess and account for the resources stored within each department’s file holdings.

Workforce Development

Within the pages of this annual report, it is imperative to underscore the pivotal role played by the Commission’s small, yet dynamic professional staff. Recognizing the paramount importance of its staff, the Commission remains steadfast in its commitment to enhancing the workforce experience. Goal 4 of the 2023-2028 Strategic Plan focuses on the recruitment, development, and retention of a diverse, high-performing workforce. The Commission was able to successfully support its workforce and recruit 18 new employees while embracing a hybrid work environment that supports meaningful in-office collaboration and efficient remote work.

The Commission’s outstanding FEVS results—outscored government wide responses in every measured area—reflect its dedication to providing a supportive, inclusive, and fulfilling work environment for its exceptional professionals. The Commission has a highly engaged workforce, scoring 90 percent on the Employee Engagement Index, compared to 72 percent government-wide, with strong scores on the three subcomponents: Leaders Lead, 82 percent vs. 61 percent; Intrinsic Work Experience, 90 percent vs. 72 percent; and Supervisors, 97 percent vs. 80 percent. The Commission reported zero challenge areas, and reported its top strengths as related to supervisors, customer service, and employee contributions.

**Table VI-1:
Top Five Strengths from the FEVS**

Highest % Positive Items		
Q36	Employees are protected from health and safety Hazards on the job.	100%
Q44	My organization has prepared me for potential cybersecurity threats.	98.4%
Q20	Employees in my work unit meet the needs of our customers.	98.2%
Q53	My supervisor holds me accountable for achieving results.	98.2%
Q51	My supervisor treats me with respect.	98.1%

The Commission continued its commitment to equal employment opportunity and representation in its initiatives to recruit, develop, and retain a skilled, high-achieving, and diverse workforce. Overall Commission demographics are comparable to the U.S. Census National Civilian Labor Force (CLF), and almost all ethnic and racial groups have higher levels of representation at the Commission when

compared to the CLF, except for Hispanic and Latino male representation. In FY 2023, women and minorities accounted for 64 percent and 33 percent, respectively, of the Commission's workforce. Representation of women in leadership remained positive, with women filling 56 percent of the agency's executive positions.

The Commission's Diversity and Inclusion (D&I) Committee has successfully engaged employees with various informative essays, announcements, and virtual events highlighting diversity and inclusion awareness. During FY 2023, the D&I Committee reviewed Commission policies to ensure that gender-inclusive language is used in all Commission communications. The Committee initiated a review of Commission facilities to ensure that the Commission is not only compliant with the requirements of the Americans with Disabilities Act (ADA) requirements, but also that remediation of any accessibility issues receive dedicated funding in the Commission's annual budget.

Information Technology

The Commission has made significant progress on long-deferred modernization efforts to its technology infrastructure. These initiatives would not be possible without funding from the TMF and are directly related to the Commission's public-facing services, replacement of antiquated systems, and protection from cybersecurity threats.

DOCKETING SYSTEM

The Commission replaced its legacy electronic filing and docketing system, which is the primary conduit for hearing matters from stakeholders and serves as the repository for most of the agency's permanent records, including sensitive postal data. Recognizing the critical role of this system, the Commission applied a portion of its TMF award to expedite the transfer to a more secure and stable system and engaged a contractor to develop a new cloud-based system. The new system launched in June of 2023, and offers users streamlined account setup, the capability to include both public and protected materials in the same filing, and direct access to protected materials (with approval) via users' accounts. The Commission continues to enhance the system, directly incorporating user experience feedback into additional modifications to the system to ensure a seamless and user-friendly experience. Linked to the agency's primary website PRC.gov, this docketing system website can be found at <https://prc.arkcase.com/portal/home>.

WEBSITE REPLACEMENT

The PRC.gov website is the Commission's primary communication tool and the main outlet for public outreach and engagement. In FY 2023, the Commission began a project to replace this website to improve interaction with the public, stakeholder engagement, and data visibility. Funding for this project is being provided by the TMF. The new website will meet all the standards of the 21st Century Integrated Digital Experience Act (IDEA) and provide significant data visualization capabilities. The Commission collects significant data from the Postal Service and will be providing that data on its new website, supporting its mission to ensure the transparency and accountability of the Postal Service.

TRANSITION TO CLOUD

During FY 2023 the Commission significantly updated its work processes while modernizing its systems and enhancing security. As part of its TMF award, the Commission successfully migrated to Office 365, leading to the decommissioning of legacy file share devices; installed new multifunction printers with PIV capabilities to ensure more secure printing; implemented improved and more secure mobile device management; and enhanced security to ensure the Commission staff on foreign travel can authenticate to cloud resources. The Commission also was able to purchase long-overdue replacement network hardware and its cloud transition activities have allowed it to shut down 90% of on-site servers.

The Commission's IT staff has also completed various important and time-saving projects not related to TMF funding that will improve the quality of staff's work experiences and provide for a more efficient workday. The Commission does not have internal administrative software and requires manual processes for its Human Resources, Finance, Records Management, and Data Management tracking and reporting. Due to the contributions of its IT staff, the Commission has leveraged its IT tools to create automated HR workflows; develop a standard method for consuming and reporting the annual FEVS data using PowerBI; and establish automation of various approval workflows at the department level. Still in progress are other projects further automating document generation templates and inventory attestation, which will help save manhours and provide for more accurate recordkeeping.

CYBERSECURITY AND DATA PROTECTION

The Commission has committed to hardening its cybersecurity posture and implemented an active, flexible program for managing its cybersecurity risk. During FY 2023 cybersecurity staff undertook a review of existing IT infrastructure and identified areas for improvement. As a result, all Commission mobile devices are in the process of being updated with zero trust access components, and a new network architecture has been configured and prepared for production transition in early FY 2024. As mentioned above, the Commission embraced cloud technologies from various FedRAMP providers and federal partners; this enabled cybersecurity staff to establish certificate-based authentication and PIV integration across the agency's operating system. All remaining physical hardware has been placed on a phase-out plan.

The Commission achieved a significant cybersecurity milestone through acquisition of the Department of Justice's (DOJ) Security Operations Center services. Funding from the TMF has provided certainty and dedicated funds for the Commission to ensure accelerated implementation of the Federal shared services and has provided a scalable and compliant security foundation for the Commission's operations. The decision to leverage DOJ shared services greatly reduced the cost, risk, and time to deploy Security Operation Center services and their Zero Trust Architecture standards, set to be fully operational in FY 2024.

ENDNOTES

- 1 Postal Accountability and Enhancement Act, Pub. L. 109-435, 120 Stat. 3198 (2006).
- 2 39 U.S.C. § 3651(a).
- 3 39 U.S.C. § 3642(b)(1). Postal Service products are categorized as either Market Dominant or Competitive. “Product” means “a postal service with a distinct cost or market characteristic for which a rate or rates are, or may reasonably be, applied[.]” 39 U.S.C. § 102(6).
- 4 39 U.S.C. § 3642(b)(1). Market Dominant products are grouped within five classes of mail: First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services. 39 U.S.C. § 3621(a).
- 5 39 U.S.C. § 3642(b)(1). Examples of Competitive products include Priority Mail, Priority Mail Express, and USPS Ground Advantage.
- 6 39 U.S.C. § 3622(b).
- 7 Docket No. RM2007-1, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, October 29, 2007 (Order No. 43); See Docket No. RM2007-1, Errata Notice Concerning Order No. 43, October 31, 2007 (Docket No. RM2007-1, Errata).
- 8 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).
- 9 Postal Regulatory Commission, *Annual Report to the President and Congress, Fiscal Year 2021, January 25, 2022, at 18-21 (FY 2021 Annual Report)*.
- 10 39 U.S.C. § 3651(a).
- 11 39 C.F.R. § 3010.101(q).
- 12 39 C.F.R. § 3010.101(f).
- 13 *Id.*
- 14 *Id.*
- 15 39 C.F.R. § 3030.121(c) and (d). The Postal Service must also consider how the planned rate adjustments are in accordance with the provisions of 39 U.S.C. chapter 36. *Id.* § 3030.121(b).
- 16 *Id.* §§ 3030.124, 3030.125
- 17 *Id.* § 3030.126(b).
- 18 *Id.* § 3030.127(a).
- 19 *Id.* § 3030.101; 39 C.F.R. pt. 3030, subpts. C, D, E, G, and H.
- 20 39 C.F.R. pt. 3030, subpt. G. The Commission determines whether a product is non-compensatory. *Id.* § 3030.220.

- 21 *Id.* § 3030.127(b).
- 22 *Id.* § 3030.221. This requirement “does not apply to a non-compensatory product for which the Commission has determined that the Postal Service lacks independent authority to set rates (such as rates set by treaty obligation).” *Id.*
- 23 FY 2021 ACD at 50. These products were USPS Marketing Mail Flats, USPS Marketing Mail Carrier Route, and USPS Marketing Mail Parcels. *Id.*
- 24 *Id.* at 61, 65, 69; *See* Docket No. R2023-1, Order on Price Adjustments for First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, November 28, 2022, at 56 (Order No. 6341).
- 25 A workshare discount is a discount that a mailer receives for additional preparation of a mailpiece, such as presorting, prebarcoding, handling, or transportation, and relieves the Postal Service of the cost of performing those activities. Order No. 5763 at 198 n.267; *See* 39 U.S.C. § 3622(e)(1).
- 26 39 C.F.R. § 3030.282.
- 27 39 C.F.R. § 3030.283-.284.
- 28 39 C.F.R. § 3030.283. The proposed workshare discount that relates to a subclass of mail consisting exclusively of mail matter of educational, cultural, scientific, or informational value must also comply with 39 C.F.R. § 3030.285(c).
- 29 39 C.F.R. § 3030.284.
- 30 39 C.F.R. §§ 3030.283(d), 3030.284(d), 3030.286(a).
- 31 Docket No. R2023-1, United States Postal Service Notice of Market-Dominant Price Change, October 7, 2022; Docket No. R2023-2, United States Postal Service Notice of Market-Dominant Price Change, April 10, 2023.
- 32 Order No. 6341 at 2; Docket No. R2023-2, Order on Price Adjustments for First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, May 31, 2023, at 2 (Order No. 6526).
- 33 Order No. 6341 at 2; Order No. 6526 at 2. The Commission also found that the proposed rate adjustments did not implicate the pricing requirements appearing in 39 U.S.C. §§ 3627 and 3629. *Id.*
- 34 Order No. 6341 at 108; Order No. 6526 at 120.
- 35 Order No. 6526 at 2.
- 36 *Id.*
- 37 *Id.* at 121.
- 38 Docket No. R2023-2, USPS Report on Investigation Into Errors in the Market Dominant Rate Case Initial Filing and Remedial Plan, July 31, 2023.
- 39 Docket No. R2023-3, United States Postal Service Notice of Market Dominant Price Change Creating Two Incentives, August 11, 2023 (Docket No. R2023-3, Notice).
- 40 United States Postal Service, “USPS Files with PRC to Establish Mail Growth Incentives,” August 11, 2023, available at <https://about.usps.com/newsroom/national-releases/2023/0811-usps-files-with-prc-to-establish-mail-growth->

	<i>incentives.htm</i> .		issued a final order on November 22, 2023. Docket No. R2024-1, Order 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 (Order No. 6814).
41	Docket No. R2023-3, Notice at 3. For First-Class Mail, qualifying pieces consist of Presort Letters, Presort Cards, or Presort Flats. <i>Id.</i> For USPS Marketing Mail, qualifying mail pieces consist of Letters and High Density/Saturation Letters; Flats and High Density/Saturation Flats & Parcels; Carrier Route; or Parcels. <i>Id.</i>	53	Docket No. RM2023-12, Order Denying Motion for Temporary Waiver of 39 C.F.R. § 3030.221, October 23, 2023 (Order No. 6748).
42	<i>Id.</i>		
43	<i>Id.</i>	54	39 U.S.C. § 3030.101(j).
44	<i>Id.</i> at 4-5.	55	<i>See</i> 39 U.S.C. § 3622(c)(10)(A).
45	Docket No. R2023-3, Order on Market Dominant Price Change Creating Two Incentives, September 27, 2023, at 32 (Order No. 6713).	56	39 U.S.C. § 3622(c)(10)(B).
46	Docket No. ACR2022, <i>Annual Compliance Determination</i> , March 29, 2023, at 36-37 (FY 2022 ACD).	57	Docket Nos. MC2023-222 and R2023-4, USPS Notice of Filing of Contract and Supporting Data and Request to Add Publisher’s Clearing House Negotiated Service Agreement to the Market-Dominant Product List, with Portions Filed Under Seal, August 11, 2023 (PCH NSA Request).
47	<i>Id.</i> at 48, 52-53, 56; 39 C.F.R. § 3030.221.		
48	Docket No. RM2023-12, Motion of the American Catalog Mailers Association Requesting Temporary Waiver of Rule 3030.221, September 27, 2023, at 1 (Docket No. RM2023-12, Motion).	58	PCH NSA Request at 3.
49	Docket No. RM2023-12, Motion at 1-2, 4-6.	59	<i>Id.</i> at 7.
50	<i>Id.</i> at 7.	60	<i>Id.</i> at 5.
51	Docket No. RM2023-12, Comments of the United States Postal Service Supporting the Motion of the American Catalog Mailers Association Requesting Temporary Waiver of Rule 3030.221, October 6, 2023, at 2.	61	<i>Id.</i>
52	Docket No. R2024-1, United States Postal Service Notice of Market-Dominant Price Change, October 6, 2023. The Commission	62	<i>Id.</i>
		63	<i>Id.</i> at 7.
		64	<i>Id.</i>
		65	<i>Id.</i>
		66	<i>Id.</i> at 5.
		67	Docket Nos. MC2023-222 and R2023-4, Order Provisionally Adding Publisher’s Clearing House Negotiated Service Agreement to the Market Dominant

Product List and Directing the Postal Service to Collect and Report Data on a Monthly Basis, November 22, 2023 (Order No. 6813).
68 Order No. 6813 at 12, 24, 26.
69 *Id.* at 13-19.
70 *Id.* at 19.
71 *Id.* at 22.
72 *Id.*
73 *Id.* at 22-23.
74 *Id.* at 32-33.
75 *Id.* at 34.
76 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.*
77 39 U.S.C. § 3632(b)(3); 39 C.F.R. § 3035.105(a).
78 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).
79 39 U.S.C. § 3633(a)(1).
80 39 U.S.C. §§ 3633(a)(2), 3631(b).
81 39 U.S.C. § 3633(a)(3). The appropriate share is codified in 39 C.F.R. § 3035.107. See “Rulemakings Amending Commission Regulations – Institutional Cost Contribution Requirement” section above.
82 Docket No. CP2023-42, USPS Notice of Changes in Rates of General Applicability for Competitive Products, November 10, 2022.
83 Docket No. CP2023-42, Order Approving Price Adjustments for Competitive Products, December 22, 2022, at 11-12 (Order No. 6384).
84 Order No. 6384 at 13.
85 Docket No. CP2023-113, USPS Notice of Changes in Rates and Classifications of General Applicability for First-Class Package Service, February 10, 2023; Docket No. CP2023-114, USPS Notice of Changes in Rates and Classifications of General Applicability for Parcel Select, February 10, 2023. The Postal Service filed these proposed changes in two different dockets, which the Commission consolidated because they both involve similar issues regarding streamlining product offerings and price changes. Docket Nos. CP2023-113 and CP2023-114, Notice and Order Concerning Changes in Rates and Classifications of General Applicability for First-Class Package Service and Parcel Select, February 15, 2023, at 4-5 (Order No. 6442).
86 Order No. 6442 at 2-4.
87 Docket Nos. CP2023-113 and CP2023-114, Order Concerning Changes in Rates of

	General Applicability and Classifications for First-Class Package Service and Parcel Select, June 7, 2023, at 26 (Order No. 6536).	98	Order No. 6647 at 7-8.
88	Order No. 6536 at 16-17, 26-28.	99	<i>Id.</i> at 8.
89	<i>Id.</i> at 28.	100	<i>Id.</i> at 8, 10.
90	Docket No. CP2023-151, USPS Notice of Changes in Rates and Classifications of General Applicability for Competitive Products, May 10, 2023.	101	<i>Id.</i> ; Docket No. CP2023-155, USPS Notice of Implementation Date and Terms and Conditions for Business Rate Card, August 28, 2023.
91	Docket No. CP2023-151, Order Concerning Changes in Rates of General Applicability and Classifications for Competitive Products, June 23, 2023 (Order No. 6552).	102	UPU Convention, Decisions of the 2021 Abidjan Congress, Article 29.1 (Berne 2022), available at https://www.upu.int/UPU/media/upu/files/aboutUpu/acts/03-actsConventionAndFinalProtocol/
92	Order No. 6552 at 9.		<i>conventionAndFinalProtocolAdoptedAtAbidjanEn.pdf</i> (UPU Convention Articles). Destination postal operators may set higher self-declared rates for the handling and delivery of inbound small packets and bulky letters in lieu of the default rates also established in the UPU Convention.
93	Docket No. CP2023-155, USPS Notice of Changes in Rates and Classifications Not of General Applicability for Competitive Products, May 12, 2023 (Docket No. CP2023-155, Notice).	103	Docket No. CP2023-142, Notice of the United States Postal Service of Rates Not of General Applicability for Inbound E-Format Letter Post, and Application for Non-Public Treatment, April 28, 2023.
94	Docket No. CP2023-155, Notice at 1, 4. Click-N-Ship is an online Postal Service shipping application that customers may access through <i>usps.com</i> to print shipping labels with postage from their own computers. "Click-N-Ship," United States Postal Service <i>Publication 32, Glossary of Postal Terms</i> , July 2013, available at https://about.usps.com/publications/pub32/pub32_terms.htm .	104	Docket No. CP2023-142, Order Approving Prices for Inbound E-Format Letter Post, May 26, 2023, at 4 (Order No. 6525).
95	<i>Id.</i> at 4.	105	UPU Convention, Articles 17.7 and 17.8.
96	<i>See Id.</i> at 4, 6.	106	Regulations to the UPU Convention and Final Protocol, Article 33-201 (Berne 2021), available at https://www.upu.int/en/Universal-Postal-Union/About-UPU/Acts#overview-of-the-acts-of-the-union .
97	Docket No. CP2023-155, Order Conditionally Approving Rates and Classifications Not of General Applicability for Competitive Products, August 25, 2023 (Order No. 6647).	107	<i>Id.</i> Article 33-202.
		108	Docket No. CP2023-54, Notice of the United

- States Postal Service of Filing Changes in Rates Not of General Applicability for Inbound Parcel Post (at UPU Rates), and Notice of Filing Non-Public Materials Under Seal, November 22, 2022.
- 109 Docket No. CP2023-54, Order Acknowledging Changes in Rates for Inbound Parcel Post (at UPU Rates), December 16, 2022, at 5-6 (Order No. 6376).
- 110 39 U.S.C. § 3634; 39 C.F.R. §§ 3060.40, et seq.
- 111 Docket No. T2023-1, Notice of the United States Postal Service of Submission of the Calculation of the FY 2022 Assumed Federal Income Tax on Competitive Products, January 11, 2023.
- 112 Docket No. T2023-1, Response of the United States Postal Service to Question 1 of Chairman’s Information Request No. 1, March 30, 2023.
- 113 Docket No. T2023-1, Order Approving the Calculation of the FY 2022 Assumed Federal Income Tax on Competitive Products, May 24, 2023, at 5 (Order No. 6523).
- 114 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*.
- 115 39 C.F.R. pt. 3040, subpts. B, C, D.
- 116 39 U.S.C. § 3642(b)(1).
- 117 39 U.S.C. § 3642(b)(2).
- 118 39 U.S.C. § 3642(b)(3).
- 119 *See* 39 C.F.R. § 3040.132(c).
- 120 Docket Nos. MC2023-45 and MC2023-46, Order Removing Priority Mail International Regional Rate Boxes - Non-Published Rates and Priority Mail International Regional Rate Boxes Contracts from the Competitive Product List and Approving Competitive Classification Changes Concerning Global Reseller Expedited Package Contracts, December 20, 2022 (Order No. 6378).
- 121 39 C.F.R. § 3040.211; *See* 39 U.S.C. § 3682.
- 122 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).
- 123 Docket No. MC2023-132, Order Approving Minor Changes to Product Description, May 8, 2023 (Order No. 6500); Docket No. MC2023-148, Order Approving Changes in Classifications of General Applicability for Priority Mail Express and Priority Mail (Loyalty Program), June 1, 2023 (Order No. 6529).
- 124 39 U.S.C. § 3633(a)(3). Institutional costs are the costs that remain after attributing all reliably identifiable, causally-related product-level and group-level costs to products. Docket Nos. RM2017-1 and RM2022-2, Supplemental Notice of Proposed Rulemaking and Order Initiating the Third Review of the Institutional Cost Contribution Requirement for Competitive Products, November 18, 2021 (Order No. 6043). Requirements for Competitive

	products are discussed in the “Rate Adjustments – Competitive Products” section below.		Rules for Periodic Reporting of Service Performance, February 9, 2023 (Order No. 6439).
125	Docket No. RM2017-1, Order Adopting Final Rules Relating to the Institutional Cost Contribution Requirement for Competitive Products, January 3, 2019, at 18 (Order No. 4963).	136	<i>Id.</i> at 4-20.
		137	<i>Id.</i> at 37.
		138	<i>Id.</i> at 23.
		139	<i>Id.</i> at 25-26.
126	39 U.S.C. § 3633(b).	140	<i>Id.</i> at 27, 30-31.
127	<i>Id.</i>		
128	Docket Nos. RM2017-1 and RM2022-2, Order Finalizing Rule Relating to the Institutional Cost Contribution Requirement for Competitive Products, January 9, 2023 (Order No. 6399). On January 10, 2023, UPS filed a petition for review of Order No. 6399 with the D.C. Circuit. This appeal is discussed below in the “Court of Appeals Cases” section.	141	Docket No. RM2023-5, Advance Notice of Proposed Rulemaking on Regulations Pertaining to Competitive Negotiated Service Agreements, February 24, 2023 (Order No. 6446). Competitive NSAs are discussed above under “Rate Adjustments – Competitive Products Rates Not of General Applicability.”
		142	<i>Id.</i> at 10-11.
		143	<i>Id.</i> at 12.
129	Order No. 6399 at 1-2. The background and procedural history of this proceeding were described in the FY 2022 Annual Report and Order No. 6399. <i>See</i> FY 2022 Annual Report at 14-15; Order No. 6399 at 4-15.	144	<i>Id.</i> at 18-21.
		145	Docket No. RM2021-2, Advance Notice of Proposed Rulemaking Regarding Performance Incentive Mechanism, January 15, 2021, at 1 (Order No. 5816).
130	Order No. 6399 at 18-22.		
131	<i>Id.</i> at 22-75.	146	Order No. 5816 at 4.
132	<i>Id.</i> at 75-165.	147	<i>Id.</i> at 5-14.
133	<i>Id.</i> at 177-268.		
134	Docket No. RM2022-7, Notice of Proposed Rulemaking to Revise Periodic Reporting of Service Performance, September 21, 2022 (Order No. 6275). This NPR and its preceding ANPR are described in the <i>FY 2022 Annual Report</i> . <i>FY 2022 Annual Report</i> at 15.	148	Docket No. RM2021-2, Order Reactivating Docket and Setting Comment Deadline, June 12, 2023 (Order No. 6537). The background of this rulemaking was described in the order and <i>FY 2021 Annual Report</i> . Order No. 6537 at 1-2; Postal Regulatory Commission, <i>Annual Report to the President and Congress, Fiscal Year 2021</i> , January 25, 2022, at 21-22 (<i>FY 2021 Annual Report</i>).
135	Docket No. RM2022-7, Order Revising		

<p>149 Docket No. RM2020-5, Notice of Proposed Rulemaking to Amend Rules Regarding Rate Incentives for Market Dominant Products, November 14, 2022 (Order No. 6325). The procedural history of this rulemaking is described in the order and the <i>FY 2022 Annual Report</i>. Order No. 6325 at 2-3; <i>FY 2022 Annual Report</i> at 16-17.</p> <p>150 Order No. 6325 at 1; <i>See Id.</i> at 26.</p> <p>151 <i>Id.</i> at 1.</p> <p>152 <i>Id.</i> at 1-2. These rules are codified in 39 C.F.R. §§ 3030.123(j)(3) and 3030.128(f)(2) (iv).</p> <p>153 <i>Id.</i> at 2, 26.</p> <p>154 Order No. 6325 at 39; <i>See</i> Docket No. RM2020-5, Order on Public Representative’s Second Motion for Information Request and Providing an Opportunity to File Reply Comments, December 12, 2022 (Order No. 6364).</p> <p>155 Docket No. RM2020-5, Supplemental Notice of Proposed Rulemaking to Amend Rules Regarding Rate Incentives for Market Dominant Products, November 17, 2023, at 4 (Order No. 6801). These incentives are discussed above under “Rate Adjustments – Market Dominant Products Rates of General Applicability.”</p> <p>156 Order No. 6801 at 6-7.</p> <p>157 39 U.S.C. § 407(b)(2)(A).</p> <p>158 Docket No. RM2023-6, Notice of Proposed Rulemaking Regarding Materials Provided to the Commission in Connection with Activities Under 39 U.S.C. 407(b)(2)(A), March 3, 2023, at 1-2 (Order No. 6451).</p> <p>159 Order No. 6451 at 2.</p>	<p>160 Docket No. RM2023-6, Order Adopting Final Rules Regarding Materials Provided to the Commission in Connection with Activities Under 39 U.S.C. § 407(b)(2)(A), June 1, 2023 (Order No. 6530).</p> <p>161 Order No. 6530 at 14.</p> <p>162 39 U.S.C. § 3652(a)(1).</p> <p>163 39 U.S.C. § 3652(a)(2), (b), (c).</p> <p>164 39 U.S.C. § 3652(a).</p> <p>165 These reports are on the Commission’s website, available at https://www.prc.gov/prc-reports.</p> <p>166 39 U.S.C. § 3653(a), (b).</p> <p>167 FY 2022 ACD at 104.</p> <p>168 <i>Id.</i> at 5.</p> <p>169 <i>Id.</i></p> <p>170 <i>Id.</i> at 106.</p> <p>171 <i>Id.</i> at 5.</p> <p>172 <i>Id.</i></p> <p>173 <i>Id.</i></p> <p>174 Docket No. ACR2022, Financial Analysis of United States Postal Service Financial Results and 10-K Statement, Fiscal Year 2022, May 17, 2023 (FY 2022 Financial Analysis).</p> <p>175 FY 2022 Financial Analysis at 1.</p> <p>176 <i>Id.</i></p> <p>177 <i>Id.</i></p> <p>178 <i>Id.</i> at 3-4.</p> <p>179 39 U.S.C. § 3653(d).</p> <p>180 <i>Id.</i></p>
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181	Docket No. ACR2022, <i>Analysis of the Postal Service’s FY 2022 Annual Performance Report and FY 2023 Performance Plan</i> , June 28, 2023 (FY 2022 Analysis).	191	<i>Id.</i>
182	FY 2022 Analysis at 13-24.	192	Docket No. PI2023-4, United States Postal Service’s Motion for Reconsideration of Order No. 6488, May 5, 2023 (Docket No. PI2023-4, Motion).
183	<i>Id.</i> at 5. The Postal Service met the Financial Health performance goal and partially met the High-Quality Service, Excellent Customer Experience, and Safe Workplace and Engaged Workforce goals. <i>Id.</i> The Commission considers the Postal Service to have partially met a performance goal if the Postal Service meets or exceeds some but not all targets for each performance indicator measuring progress toward that goal. <i>Id.</i>	193	Docket No. PI2023-4, Motion at 5-6.
		194	<i>Id.</i> at 8-15.
		195	<i>Id.</i> at 15-16.
		196	<i>Id.</i> at 20-22.
		197	See Docket No. PI2023-4, Order Denying Motion for Reconsideration, June 21, 2023, at 3 n.6 (Order No. 6548).
		198	See Order No. 6548.
184	<i>Id.</i> at 25-111.	199	<i>Id.</i> at 8.
185	Docket No. PI2023-4, Notice and Order Initiating Public Inquiry Associated with the Delivering for America Plan, April 20, 2023 (Order No. 6488).	200	<i>Id.</i> at 9.
		201	<i>Id.</i> at 10.
		202	<i>Id.</i> at 12-13.
186	United States Postal Service, <i>Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence</i> , March 23, 2021, available at https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf (DFA Plan).	203	Docket No. PI2023-4, Chairman’s Information Request No. 1, June 21, 2023; Docket No. PI2023-4, Chairman’s Information Request No. 2 and Notice of Filing Under Seal, August 8, 2023; Docket No. PI2023-4, Chairman’s Information Request No. 3, September 1, 2023; Docket No. PI2023-4, Chairman’s Information Request No. 4, October 13, 2023; Chairman’s Information Request No. 5, November 22, 2023.
187	United States Postal Service, <i>Delivering for America Second-Year Progress Report</i> , April 2023, at 18; available at https://about.usps.com/what/strategic-plans/delivering-for-america/assets/usps-dfa-two-year-report.pdf .	204	Docket No. PI2023-3, Notice and Order Initiating Inquiry of the Classification of the First-Class Package Product, April 7, 2023 (Order No. 6479).
188	<i>Id.</i>		
189	Order No. 6488 at 3.	205	As part of the establishment of the USPS Ground Advantage product, FCPS was
190	<i>Id.</i> at 4.		

- expanded to packages weighing up to 70 pounds. United States Postal Service, “USPS Ground Advantage” (October 25, 2023), available at <https://faq.usps.com/s/article/USPS-Ground-Advantage>.
- 206 Order No. 6479 at 9. Requirements for transferring products from the Market Dominant to the Competitive product list are described above in the “Changes to Product Lists and the Mail Classification Schedule – Product Lists.”
- 207 *Id.* at 9-12.
- 208 *Id.* at 11-12 (citing Order No. 6384 at 10-11).
- 209 *Id.* at 12-13.
- 210 Docket No. PI2023-2, Notice and Order Initiating Proceeding to Review Postal Service Cost Attribution, March 31, 2023, at 6 (Order No. 6471).
- 211 Order No. 6471 at 6. The Postal Service must use Commission-approved analytical principles to identify these costs. *Id.* Analytical Principles are discussed in the “Proposals to Change Analytical Principles” section below.
- 212 *Id.* A detailed description of the approach to postal cost attribution that the Postal Service and the Commission currently use appears in Order No. 6043. Docket Nos. RM2017-1 and RM2022-2, Supplemental Notice of Proposed Rulemaking and Order Initiating the Third Review of the Institutional Cost Contribution Requirement for Competitive Products, November 18, 2021, at 11-35 (Order No. 6043).
- 213 PSRA § 203. Section 3633(a) contains requirements for Competitive products,
- 214 PSRA § 203.
- 215 *Id.*
- 216 See Order No. 6471.
- 217 *Id.* at 11 (citing PSRA § 203).
- 218 See “Chapter IV - Value of the Postal Monopoly” below.
- 219 Order No. 6658 at 1. The letter monopoly is codified in the Private Express Statutes. See 18 U.S.C. §§ 1693-1699, 39 U.S.C. §§ 601-606.
- 220 18 U.S.C. § 1725.
- 221 Docket No. PI2020-1, Notice and Order Providing an Opportunity to Comment, October 1, 2019 (Order No. 5260).
- 222 Order No. 5260 at 1-2; Docket No. PI2020-1, Notice of Filing Library Reference PRC-LR-PI2020-1-NP1 and Order Setting Comment Deadline, February 10, 2021, at 7-8 (Order No. 5832). The Estimation Methodology is described in Order No. 6658. Order No. 6658 at 5-8.
- 223 Order No. 6658 at 2, 8, 29-30.
- 224 See Docket No. PI2020-1, Library Reference PRC-LR-PI2020-1-NP2, August 31, 2023.
- 225 Order No. 6658 at 3, 50.
- 226 *Id.* at 2-3. These issues include using RRECS data in the Estimation Methodology. *Id.* at 31, 49.
- 227 Docket No. PI2021-1, Notice and Order

	Providing an Opportunity to Comment with Respect to Universal Service Obligation Valuation Methodology, December 10, 2020 (Order No. 5777).		own behalf, may also initiate a proceeding to change an accepted analytical principle. 39 C.F.R. § 3050.11(a).
228	See Postal Regulatory Commission, <i>Report on Universal Postal Service and Postal Monopoly</i> , December 19, 2008 (USO Report).	244	<i>Id.</i>
229	39 U.S.C. § 101(a); See USO Report at 18.	245	Docket No. RM2023-9, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Four), November 2, 2023, at 1, 3 (Order No. 6771).
230	Order No. 5777 at 2; See “Chapter IV – Universal Service Obligation and Postal Monopoly” section below; 39 U.S.C. § 3651(b)(1).	246	Order No. 6771 at 4.
231	Order No. 5777 at 3.	247	<i>Id.</i>
232	<i>Id.</i>	248	<i>Id.</i> at 7.
233	<i>Id.</i> at 1, 3, 8-9.	249	<i>Id.</i>
234	<i>Id.</i> at 3-8.	250	<i>Id.</i>
235	Docket No. PI2022-1, Notice and Order Providing an Opportunity to Comment on the Postal Service’s Process for Resolving Suspended Post Offices, February 3, 2022 (Order No. 6101).	251	<i>Id.</i>
236	Order No. 6101 at 1-2.	252	Docket No. RM2023-4, Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal One), February 10, 2023 (Docket No. RM2023-4, Petition, Proposal One).
237	<i>Id.</i> at 2.	253	Docket No. RM2023-4, Petition, Proposal One at 7.
238	<i>Id.</i> at 3.	254	<i>Id.</i>
239	<i>Id.</i> The Postal Service resolves a suspended Post Office by either discontinuing or reopening the Post Office. <i>Id.</i> at 2.	255	<i>Id.</i> at 7-8.
240	<i>Id.</i> at 3.	256	<i>Id.</i> at 8.
241	39 C.F.R. § 3050.1(c).	257	<i>Id.</i> at 10.
242	39 C.F.R. §§ 3050.1(a), 3050.10.	258	<i>Id.</i>
243	39 U.S.C. § 3652(e)(2); 39 C.F.R. § 3050.11(a). The Commission, acting on its	259	<i>Id.</i> at 8.
		260	<i>Id.</i> at 10.
		261	Docket No. RM2023-4, Order on Analytical Principles Used in Periodic Reporting (Proposal One), April 6, 2023, at 6 (Order

No. 6474).

262 *Id.* at 13.

263 *Id.*

264 Docket Nos. RM2023-1 and RM2023-3, Order Denying Request for Reconsideration and Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (NPPC et al. Proposal One), January 25, 2023 (Order No. 6430); Docket No. RM2023-3, Order Rejecting Proposed Changes to Accepted Analytical Principles (NPPC et al. Proposal One), March 27, 2023 (Order No. 6464); Docket No. RM2023-2, Order on Analytical Principles Used in Periodic Reporting (Proposal Seven), March 17, 2023 (Order No. 6459).

265 *See* Order No. 6459.

266 Order No. 6430 at 2.

267 *Id.* at 3 (citing former 5 U.S.C. § 8909a(d)(3) (B)).

268 Order No. 6430 at 3. Payments will not be required until OPM computes whether “top up” payments are due or the PSRHBF is exhausted. *Id.*

269 Order No. 6459 at 3.

270 *See* Letter to Erica A. Barker, Secretary and Chief Administrative Officer, August 12, 2022, available at <https://www.prc.gov/docs/122/122469/Lttr%20re%20PSRA%20Effects%20ACR%20CRA.pdf>.

271 Docket No. RM2023-1, Order Granting, in Part, For Reconsideration, December 9, 2022, at 2 (Order No. 6363); *See* Docket No. RM2023-1, Petition for Reconsideration and Initiation of Proceeding, November 4, 2022. The Postal Service appealed Order No. 6363 to the D.C. Circuit, which is discussed in the “Court of Appeals Cases” section below.

272 Order No. 6363 at 7-11. Specifically, the Commission proposed to treat the PSRA-forgiven defaulted accruals differently than other items allocated to the Cost Segment and Components report for FY 2022. *Id.*

273 Order No. 6363 at 11.

274 Docket No. RM2023-2, Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes to Analytical Principles (Proposal Seven), December 12, 2022 (Docket No. RM2023-2, Petition).

275 Docket Nos. RM2023-1 and RM2023-3, Motion for Reconsideration or, in the Alternative, Petition to Initiate a Proceeding Regarding the Appropriate Analytical Principle for Retiree Health Benefit Normal Costs, December 19, 2022 (NPPC et al. Proposal One); *See* Docket Nos. RM2023-1 and RM2023-3, Order Denying Request for Reconsideration and Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (NPPC et al. Proposal One), January 25, 2023 (Order No. 6430).

276 Docket No. RM2023-2, Petition at 1.

277 Order No. 6459 at 7.

278 *Id.* at 19.

279 *Id.* at 19-20.

280 *Id.* at 20.

281 *Id.*

282 *Id.* Specifically, modified Alternative Two reallocated the \$57.0 billion from where it had been recorded as negative institutional

	costs in the “All Other” row in the “Attributable Cost” column of the CRA, and instead reports it as a positive amount in the row titled “Miscellaneous Items” in the Revenue Column of the CRA. <i>Id.</i>	291	Docket No. RM2022-3, Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal One), January 5, 2022.
283	NPPC et al. Proposal One at 1.	292	<i>Id.</i>
284	Docket No. RM2023-3, Order Rejecting Proposed Changes to Accepted Analytical Principles (NPPC et al. Proposal One), March 27, 2023, at 2 (Order No. 6464).	293	Docket No. RM2023-11, Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Six), September 15, 2023.
285	<i>Id.</i> at 60.		
286	Docket No. RM2023-10, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Five), November 16, 2023 (Order No. 6798).	294	Docket No. RM2022-1, Notice and Order of Proposed Rulemaking on Periodic Reporting, October 8, 2021 (Order No. 6004).
287	Docket No. RM2023-8, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Three), August 9, 2023 (Order No. 6608).	295	<i>Id.</i> at 1. The ACR is discussed above in the “Annual Reports” section.
288	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 (Order No. 6659).	296	Docket No. RM2022-1, Order Requiring Postal Service Progress Update, May 8, 2023, at 1-2 (Order No. 6501). Background on this proceeding is described in the <i>FY 2022 Annual Report</i> . <i>FY 2022 Annual Report</i> at 51-52.
289	Docket No. RM2022-11, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Five), October 20, 2022 (Order No. 6307). This proposal was discussed in the <i>FY 2022 Annual Report</i> . <i>FY 2022 Annual Report</i> at 49.	297	Order No. 6501 at 2, 13.
		298	<i>Id.</i> at 13.
		299	<i>Id.</i>
290	Docket No. RM2022-13, Order on Analytical Principles Used in Periodic Reporting (Proposal Six), November 3, 2022 (Order No. 6322). This proposal was discussed in the <i>FY 2022 Annual Report</i> . <i>FY 2022 Annual Report</i> at 49-50.	300	Docket No. RM2022-1, Response of the United States Postal Service to Request for Progress Report in Order No. 6501, June 16, 2023.
		301	Order No. 6501 at 13.
		302	39 U.S.C. § 3641(a)(2).
		303	39 U.S.C. § 3641(c)(1); 39 C.F.R. §§ 3045.2, 3045.3.

304	39 U.S.C. § 3641(b).	6423).
305	39 U.S.C. § 3641(d); 39 C.F.R. §§ 3045.10-.11	315 39 U.S.C. § 404a(a)(1). The Commission’s rules for complaints alleging violations of section 404a are codified in 39 C.F.R. part 3024.
306	39 U.S.C. § 3641(e)(1), (g); 39 C.F.R. § 3045.15(b), (c).	316 Order No. 6423 at 8. A “postage evidencing system” is a “device or system of components that a customer uses to generate and print evidence that postage required for mailing has been paid.” 39 C.F.R. § 501.1(a). Under the USPS Connect Local Mail market test, the Postal Service has required participants to pay using postage evidencing system it provides: Click-N-Ship and USPS application programming interface. Order No. 6423 at 8.
307	39 C.F.R. § 3045.20(a).	317 <i>See</i> Order No. 6423.
308	Docket No. MT2022-1, Order Authorizing Market Test of Experimental Product – USPS Connect Local Mail, January 4, 2022 (Order No. 6080).	318 <i>Id.</i> at 6, 10, 15.
309	Order No. 6080 at 2.	319 <i>Id.</i> at 12.
310	39 C.F.R. § 3045.18. Requirements under 39 U.S.C. § 3642 and 39 C.F.R. part 3040 are discussed in the “Changes to the Product Lists and the Mail Classification Schedule” above.	320 <i>Id.</i> at 12-15. On November 23, 2022, the Postal Service filed a notice notifying the Commission of its intent to establish new service standards for USPS Connect Local Mail and make corresponding changes to the Market Dominant Service Performance Measurement plan. Because the issues raised were contingent on converting USPS Connect Local Mail to a permanent offering, the Commission dismissed the notice without prejudice. Docket No. PI2023-1, Order Dismissing Without Prejudice Notice of Intent to Establish New Service Standards, Proposed Modifications to Service Performance Measurement Plan for Market Dominant Products, and Request to Use Internal Service Performance Measurement System, January 20, 2023
311	Docket No. MC2023-12, United States Postal Service Request to Convert USPS Connect Local Mail to a Permanent Offering, October 11, 2022 (Initial Request).	
312	Docket No. MC2023-12, Order Dismissing Without Prejudice Postal Service’s Request to Convert USPS Connect Local Mail Market Test to a Permanent Offering, October 17, 2022, at 5-6 (Order No. 6301).	
313	Order No. 6301 at 2; Docket No. MC2023-12, United States Postal Service Revised Request to Convert USPS Connect Local Mail to a Permanent Offering, November 9, 2022 (Revised Request).	
314	Docket No. MC2023-12, Order Dismissing Without Prejudice the Postal Service’s Revised Request to Convert USPS Connect Local Mail Market Test to a Permanent Offering, January 20, 2023, at 2 (Order No.	

	(Order No. 6424).	332	Docket No. C2023-6, Presiding Officer’s Information Request No. 1, November 7, 2023 (POIR No. 1); Docket No. C2023-6, Presiding Officer’s Information Request No. 2, November 7, 2023.
321	Docket No. MT2022-1, Order Authorizing Extension of USPS Connect Local Mail Market Test, December 13, 2023, at 13 (Order No. 6860).		
322	Order No. 6860 at 8.	333	Docket No. C2023-1, Complaint of Stephen Stahlman, November 4, 2022.
323	<i>Id.</i> at 13.	334	See Docket No. C2023-1, Order Granting Motion and Dismissing Complaint without Prejudice, January 24, 2023, at 1 (Order No. 6428).
324	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)” <i>Id.</i>	335	Order No. 6428 at 1-2.
325	39 U.S.C. § 3662(b); 39 C.F.R. § 3022.30(a).	336	<i>Id.</i> at 2.
326	Docket No. C2023-6, Complaint of Mark Allan Edwards, July 7, 2023.	337	<i>Id.</i> at 9; See 39 C.F.R. § 3023.11(a).
327	Docket No. C2023-6, United States Postal Service’s Motion to Dismiss, July 27, 2023 (Motion to Dismiss).	338	Docket No. C2023-1, Response of United States Postal Service, ME-NH-VT District, to Stephen Stahlman, March 17, 2023.
328	Docket No. C2023-6, Order Partially Denying United States Postal Service’s Motion to Dismiss and Notice of Limited Formal Proceedings, September 18, 2023, at 1-2, 9 (Order No. 6688). The Commission granted the Postal Service Motion to Dismiss for the other claims. <i>Id.</i> at 6, 9.	339	Docket No. C2023-2, Complaint of Richard Orville, Torp, February 6, 2023.
329	39 U.S.C. § 403(c).	340	See Docket No. C2023-2, Order Granting Motion to Dismiss, May 3, 2023, at 1 (Order No. 6497).
330	Order No. 6688 at 8.	341	Order No. 6497 at 2.
331	Docket No. C2023-6, Presiding Officer’s Ruling Establishing Procedural Schedule and Additional Case Management Procedures, October 31, 2023 (POR No. C2023-6/2).	342	<i>Id.</i>
		343	Docket No. C2023-11, Plaintiff’s Amended Complaint, October 17, 2023.
		344	Docket No. C2023-11, United States Postal Service’s Motion to Dismiss, November 6, 2023; Docket No. C2023-11, Opposition of Postal Customer to USPS Motion to Dismiss, November 14, 2023.
		345	Docket No. C2023-11, Plaintiff’s Motion for Preliminary Injunction, October 17, 2023; Docket No. C2023-11, United States Postal

	Service’s Opposition to Complainant’s Motion for Preliminary Injunction, October 24, 2023.	357	<i>Id.</i> § 206(a)(1)(B).
346	Docket No. C2023-11, United States Postal Service Response to Complainant Request for a Stay, November 28, 2023.	358	Docket No. SS2022-1, Notice Initiating Proceeding for Flats Operations Study, July 14, 2022.
347	Docket No. C2023-11, Order Granting Motion to Dismiss in Part and Denying Motion for Preliminary Injunction, December 19, 2023 (Order No. 6880).	359	Docket No. SS2022-1, Flats Operations Study Report, April 6, 2023, at 1-2.
348	Order No. 6880 at 2.	360	PSRA § 206(b)(1).
349	Docket No. C2023-11, United States Postal Service Notice of Resolution, February 2, 2024.	361	<i>Id.</i> § 206(b)(2)(A).
350	39 U.S.C. § 404(d)(5).	362	Docket No. SS2022-1, Submission of the United States Postal Service Flats Plan Pursuant to Section 206 of the Postal Service Reform Act of 2022, October 6, 2023.
351	Docket No. A2023-1, Petition for Review Received from Daniel Karmolinski and Dorothy Karmolinski Regarding the Westbrookville, NY Post Office, July 25, 2023.	363	Docket No. SS2022-1, Notice and Order on Postal Service Submission of Flats Plan, November 17, 2023, at 6-7 (Order No. 6803).
352	Docket No. A2023-1, Order Granting Motion to Dismiss, September 21, 2023, at 7, 13 (Order No. 6696).	364	39 U.S.C. § 3663.
353	Docket No. A2023-2, Petition for Review Received from Catherine Hackett-Brown Regarding the Sherwood, KS Post Office, August 16, 2023.	365	Petition for Review, <i>United Parcel Serv., Inc. v. Postal Regul. Comm’n</i> , No. 22-1029 (D.C. Cir. filed Feb. 25, 2022). Order No. 6048 was described in the FY 2021 Annual Report. FY 2021 Annual Report at 41-42.
354	Docket No. A2023-2, Order Dismissing Appeal on Jurisdictional Grounds, November 15, 2023, at 13, 16 (Order No. 6792).	366	Order, <i>United Parcel Serv., Inc. v. Postal Regul. Comm’n</i> , No. 22-1029 (D.C. Cir. filed Oct. 13, 2022).
355	United States Postal Service, <i>Publication 32, Glossary of Postal Terms</i> , July 1, 2016, at 88, available at https://postalpro.usps.com/storages/2016-04/pub32_glossary.pdf .	367	Order No. 6399 is discussed above in the “Rulemakings Amending Commission Regulations – Institutional Cost Contribution Requirement” section.
356	PSRA § 206(a)(1)(A).	368	Petition for Review, <i>United Parcel Serv., Inc. v. Postal Regul. Comm’n</i> , No. 23-1006 (D.C. Cir. filed Jan. 10, 2023).
		369	Order, <i>United Parcel Serv., Inc. v. Postal Regul. Comm’n</i> , No. 22-1029 (D.C. Cir. filed

- Mar. 28, 2023); Order, *United Parcel Serv., Inc. v. Postal Regul. Comm’n*, No. 23-1006 (D.C. Cir. filed Mar. 29, 2023).
- 370 Petition for Review, *U.S. Postal Serv. v. Postal Regul. Comm’n*, No. 23-1003 (D.C. Cir. filed Jan. 6, 2023). Order No. 6363 is discussed above under the “Proposals to Change Analytical Principles” section.
- 371 Joint Motion to Hold Appeal in Abeyance, *U.S. Postal Serv. v. Postal Regul. Comm’n*, No. 23-1003 (D.C. Cir. filed Jan. 30, 2023). Proposal Seven is discussed above under the “Proposals to Change Analytical Principles” section.
- 372 See Order No. 6459.
- 373 Status Report, *U.S. Postal Serv. v. Postal Regul. Comm’n*, No. 23-1003 (D.C. Cir. filed Apr. 3, 2023).
- 374 Petition for Review, *Richard Orville, Torp. v. Postal Regul. Comm’n*, No. 23-1093 (D.C. Cir. filed Apr. 3, 2023). This complaint is discussed above under the “Other Proceedings – Complaints” section.
- 375 See Order No. 6497.
- 376 Respondent’s Motion to Dismiss, *Richard Orville, Torp. v. Postal Regul. Comm’n*, No. 23-1093 (D.C. Cir. filed May 18, 2023); See Respondent’s Reply in Support of the Motion to Dismiss, *Richard Orville, Torp. v. Postal Regul. Comm’n*, No. 23-1093 (D.C. Cir. filed June 13, 2023).
- 377 39 U.S.C. § 407(b)(1).
- 378 *Id.* § 407(c)(1).
- 379 *Id.* § 407(c)(2).
- 380 Postal Regulatory Commission, Report on Universal Postal Service and the Postal Monopoly, December 19, 2008, at 18 (USO Report).
- 381 USO Report at 10 n.1; See Chapter IV - Value of the Postal Monopoly section below.
- 382 The public inquiry proceedings (Docket No. PI2021-1: Public Inquiry on the Universal Service Obligation Valuation Methodology and Docket No. PI2020-1: Public Inquiry on the Methodology to Estimate the Value of the Postal Service Letter and Mailbox Monopolies) are described above in the “Public Inquiries” section of Chapter III. The Commission modified the letter and mailbox monopolies (postal monopoly) estimation methodology to account for the Postal Service 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 (pending Postal Service

- proposal seeking to update methodology to use RRECS data in periodic reports to the Commission).
- 383 39 U.S.C. § 3651(b)(1).
- 384 At the time the FY 2023 *Annual Report* was prepared, the most currently available complete data were from FY 2022.
- 385 See 39 U.S.C. § 3651(b)(2).
- 386 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).
- 387 39 U.S.C. § 403(b)(3).
- 388 Docket No. RM2015-19, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Ten), November 24, 2015, at 1 n.2 (Order No. 2837).
- 389 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).
- 390 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.
- 391 See Postal Regulatory Commission, *Annual Report to the President and Congress*, Fiscal Year 2016, January 12, 2017, at 42.
- 392 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. ACR2022, Library Reference USPS-FY22-24, December 29, 2022, PDF file “USPS-FY22-24.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).
- 393 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.
- 394 USO Report at 139.
- 395 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.

396 See USO Report at 196.

397 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.

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

399 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.

400 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.

401 FY 2018 ACD at 39.

402 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.

403 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.

404 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.
- 405 FY 2021 Financial Analysis, Appendix A; FY 2022 Financial Analysis, Appendix A.
- 406 *Id.*
- 407 FY 2022 ACD at 29-30. 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 2022 Financial Analysis at 60.
- 408 *See* Order No. 5763. The final rules are described in Chapter III in the Rulemakings Amending Commission Regulations – Statutory Review of Market Dominant Rate System section above.
- 409 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.
- 410 *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).
- 411 39 U.S.C. § 3651(b)(1)(C).
- 412 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 2022 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.
- 413 *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[.]”).
- 414 PSRA § 202, 136 Stat., 1146-47 (2022).
- 415 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.
- 416 39 U.S.C. § 404(c).
- 417 39 U.S.C. § 3683.
- 418 FY 2021 Financial Analysis, Appendix A; FY 2022 Financial Analysis, Appendix A.
- 419 *See* FY 2019 Annual Report at 49.

- 420 See United States Postal Inspection Service, What We Do, Our Jurisdiction is Worldwide, available at <https://www.uspis.gov/about/what-we-do/>.
- 421 See United States Postal Inspection Service, Leadership, available at <https://www.uspis.gov/leadership>.
- 422 See United States Postal Inspection Service, What We Do, Our Jurisdiction is Worldwide, available at <https://www.uspis.gov/about/what-we-do/>.
- 423 See Docket No. ACR2022, Library Reference USPS-FY22-32, December 29, 2022, PDF file “USPS-FY22-32 Preface.pdf,” at 4.
- 424 18 U.S.C. § 1725.
- 425 The letter monopoly is codified in the Private Express Statutes. See 18 U.S.C. §§ 1693-99; 39 U.S.C. §§ 601-606.
- 426 Contestable mail is certain mail that is dropshipped to the processing facility or delivery unit closest to its destination.
- 427 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.
- 428 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.
- 429 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.
- 430 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.
- 431 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.
- 432 See USO Report at 144, Table 5 notes 2, 5; *Id.* at 143-46.
- 433 See notes to Table IV-7.
- 434 The FY 2022 estimates reflect the transfer of First-Class Package Service to the Competitive products category and are adjusted to the respective fiscal year

national estimates as estimated by the CCCS and the Rural Carrier Cost System.

435 From FY 2008 to FY 2022, the Commission received its funding through the Federal appropriations process.

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