

REGULATION OF U.S. POSTAL SERVICE

Margaret Cigno
Director, PRC



AGENDA

Introduction to PRC

Modern System of Ratemaking

USPS Results Since Implementation

Postal Service Reform Act

Future Regulation

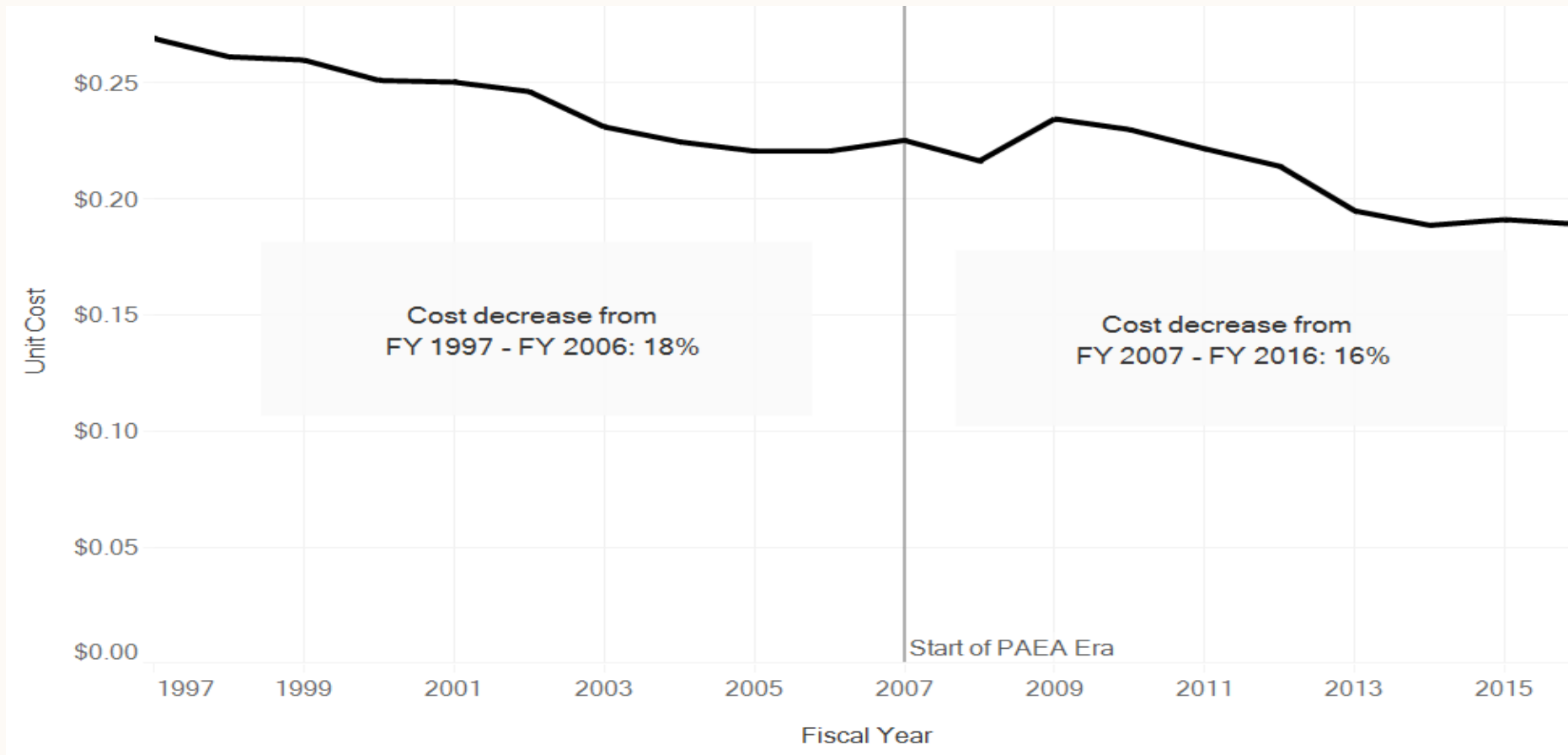
INTRODUCTION TO PRC

The Commission is an independent agency that has exercised regulatory oversight over the Postal Service since its creation by the Postal Reorganization Act of 1970, with expanded responsibilities under the Postal Accountability and Enhancement Act of 2006. The Commission is composed of five [Commissioners](#), each of whom is appointed by the President and confirmed by the Senate, for a term of six years. Not more than 3 of the Commissioners may be adherents of the same political party. The mission of the PRC is to ensure transparency and accountability of the United States Postal Service and foster a vital and efficient universal mail system.

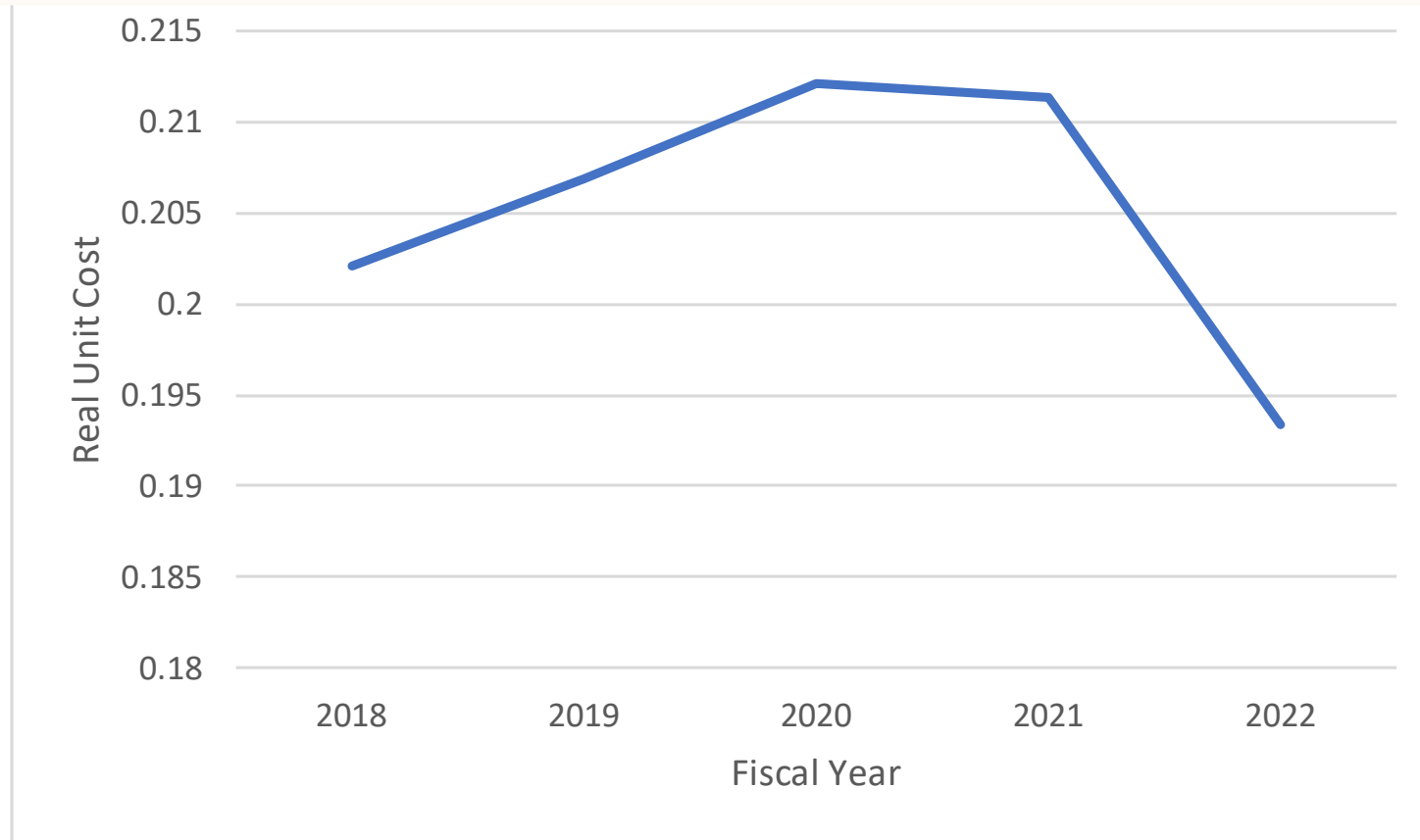
MODERN SYSTEM OF RATEMAKING

- Required by the Postal Accountability and Enhancement Act (PAEA) after review of how rate-making system was working
- Review found that system was not meeting all objectives
- New system
 - Retain CPI cap
 - Density factor to account for growth in delivery points
 - Retirement factor to meet retirement obligations
 - Provisions for non-compensatory products
 - Enhanced reporting requirements related to efficiency

COMPARISON OF CHANGE IN REAL UNIT COST BEFORE AND AFTER PAEA

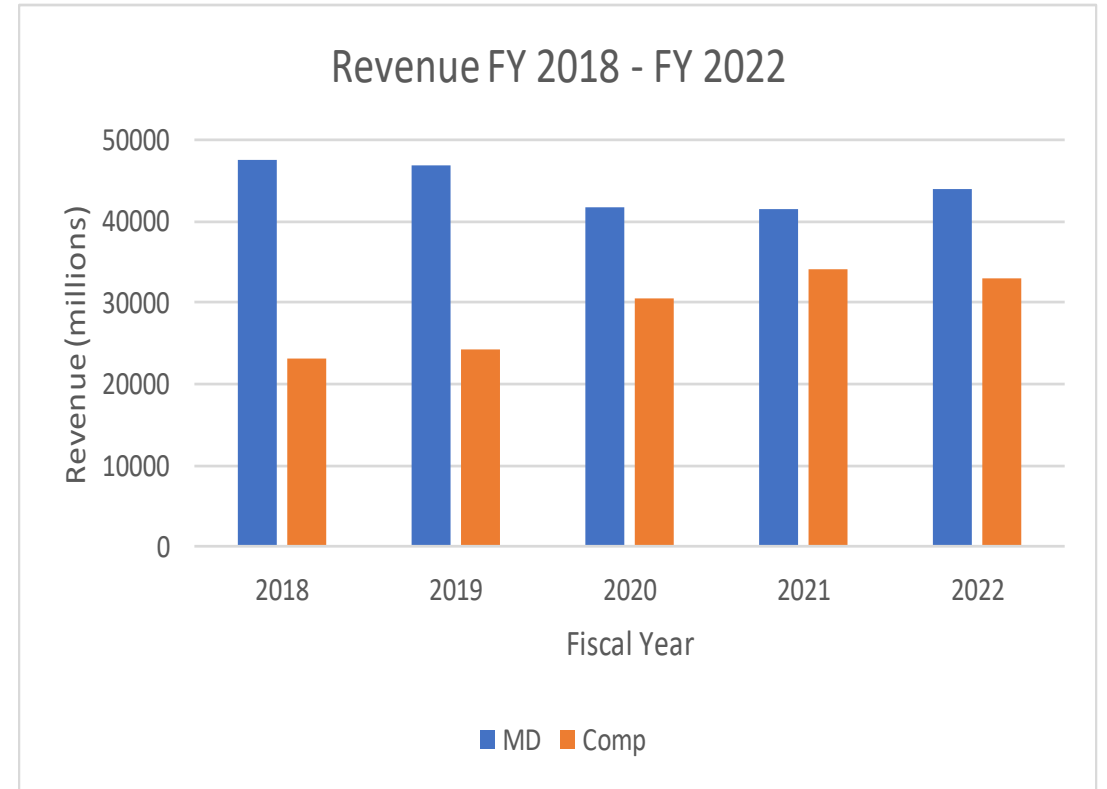
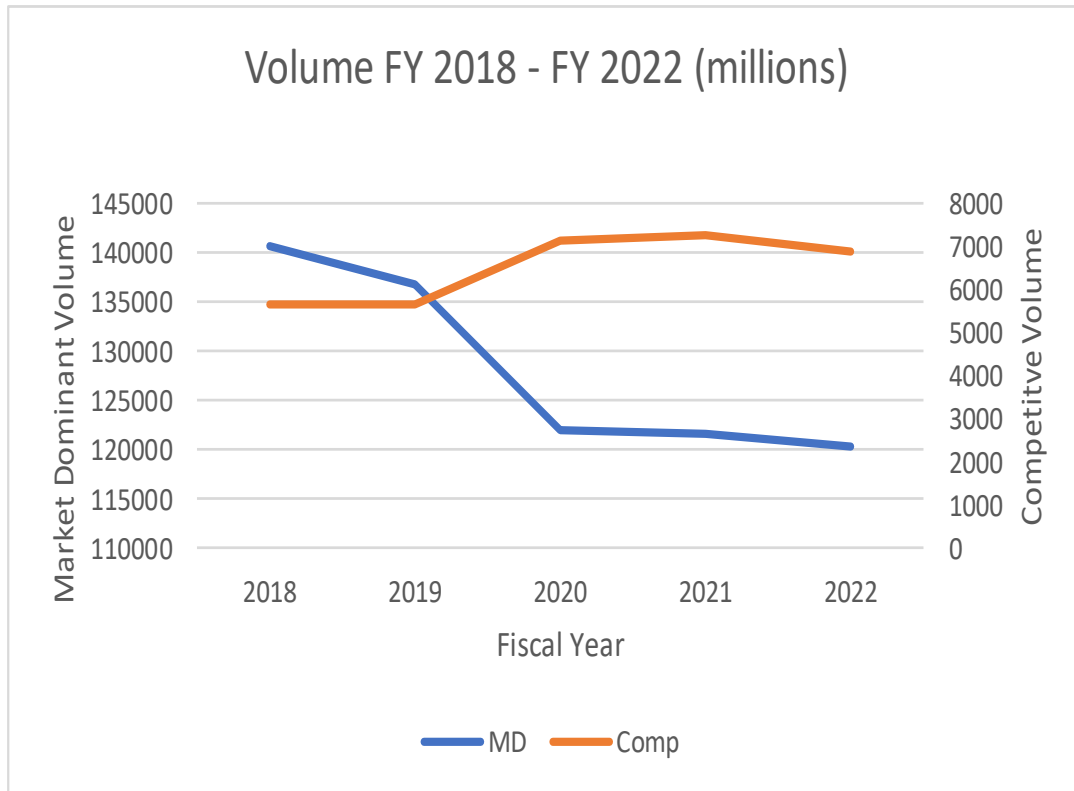


REAL UNIT COST FY 2018 – FY 2020



4.3% decrease

VOLUME AND REVENUE 2020-2022



POSTAL SERVICE REFORM ACT

FINANCIAL

- Removes the Postal Service's obligation to prefund retiree health benefits and
 - eliminates all previously imposed prefunding requirements that remain unpaid.
- Require new retirees to participate in Medicare
- Allows certain non-postal opportunities

OPERATIONAL

- The Postal Service must create a publicly available service performance dashboard.
- PRC must conduct two reviews,
 - flats operational study
 - USPS' cost attribution guidelines



FUTURE REGULATION

- Increasing transparency through technology
- Focus on changing environment
 - Public inquiry on First-Class Parcels
 - Public inquiry on USPS network plans
- Review of ratemaking system



CRITICAL QUESTIONS

- Are COVID-19 changes structural?
- Has the need for universal service changed?
- Is the current business model sustainable?

THANK YOU

Margaret Cigno

margaret.cigno@prc.gov

www.prc.gov