

United States Postal Service®

INDUSTRYALERT

Price Reduction Will Cost Postal Service \$2 Billion Per Year and Magnifies the Importance of PRC Rate System Review; Postal Service Files Petition to Clarify Scope of the Review

The Postal Service will lose approximately \$2 billion in annual revenue resulting from a price reduction mandated by the Postal Regulatory Commission (PRC) — which will go into effect on Sunday, April 10.

“Given our precarious financial condition and ongoing business needs, the price reduction required by the PRC exacerbates our losses,” said Megan J. Brennan, Postmaster General and CEO. “This unfortunate decision heightens the importance of the review of our ratemaking system which our regulator is required to conduct later this year.”

The PRC is required to review the market-dominant regulatory system to determine whether it is achieving the statutory objectives mandated by Congress. The Commission is empowered to modify the system or create a new system as necessary to achieve the objectives. The obligation to conduct the review arises 10 years after enactment of the Postal Accountability and Enhancement Act, which occurs in December of this year.

“To provide clear guidance to all interested parties concerning the review process, we filed a petition today with our regulator to clarify the scope of the review and which provisions of the current regulatory structure are subject to potential modification or replacement,” said Brennan. “By addressing preliminary issues now, the PRC can ensure an expeditious and efficient review.”

To offset long-term declines in the use of First-Class Mail in particular, the Postal Service continues to aggressively improve efficiency and has reduced our annual cost base by \$15 billion since 2008. Nevertheless, and despite strong multi-year growth in package deliveries, the Postal Service continues to record unsustainable financial losses due to changing market conditions and legislative and regulatory mandates which prevent the Postal Service from fully adjusting to the new market realities.

“To properly compete for customers and continue to meet America’s evolving mailing and shipping needs, the Postal Service needs the financial capability to invest in the future,” said Brennan. “We continue to seek legislative reforms to put the Postal Service back on a sustainable financial path, and pricing is an important component.”

Among other proposals, the Postal Service continues to seek congressional action to reinstate and make the exigent surcharge permanent.

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