



Postal Regulatory Commission

Postal Regulatory Commission
901 New York Avenue, NW
Suite 200
Washington, DC 20268-0001
www.prc.gov

Phone: 202-789-6829
Fax: 202-789-6891
Contact: Gail Adams
gail.adams@prc.gov

Press Release

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PRC Issues Advisory Opinion on USPS Proposal to Change Service Standards for First-Class Package Service Nationwide

Plan lacks demonstrable evidence

Washington, DC – The Postal Regulatory Commission today issued its Advisory Opinion on the U.S. Postal Service proposal to revise service standards for First-Class Package Service (FCPS). ([Docket No. N2021-2](#)). The proposal would lengthen service standards by 1 to 2 days for approximately 31.2 percent of FCPS volume and shorten service standards by one day for approximately 4.8 percent of FCPS volume.

This Advisory Opinion is a unique undertaking for the Commission, which has not previously issued an Advisory Opinion on Competitive products. The Commission's oversight over FCPS and other Competitive products is far more limited by law than its oversight over First-Class Mail and other Market Dominant products. While the Postal Service acknowledged in its request for an Advisory Opinion that the universal obligation applies to the FCPS product, decisions regarding Competitive products are, by law, left to the reasonable business judgment of the Governors of the Postal Service. The Governors may establish rates and classes for all competitive products, subject to minimal regulation of price and service quality. With respect to changes in service standards, the Postal Service is required to seek an Advisory Opinion from the Commission; however, the Commission lacks the authority to enforce its advice regarding the proposed changes.

The Commission finds:

- The Postal Service's stated goals for the proposal appear reasonable.
- The Postal Service assumed factors necessary for successful implementation of the proposal that have not been demonstrated.
- It is unclear when the Postal Service plans to realize the full impact of its proposed changes to the service standards. The proposed changes may have a positive impact on the Postal Service's ability to meet its service performance targets. However, the Postal Service does not include a firm estimate for when it will meet its service performance

targets, nor does it include any interim service performance targets.

- The Postal Service's cost-saving estimates of the proposed changes may be inflated and the proposed changes would not substantially affect the Postal Service's overall financial condition.
- Flaws in the Postal Service's transportation model could diminish its reliability. The Postal Service's surface network impact projections and estimated cost changes are potentially inaccurate and unachievable.
- The Postal Service has not demonstrated that it is operationally capable of running the complex surface network modeled to support the service standard changes it plans to implement.
- Implementing processing and transportation changes prior to peak season may be challenging due to the continuation of the COVID-19 emergency and stress on the logistics industry.

In general, the Commission finds that the proposed changes appear to be consistent with applicable statutory requirements. Nevertheless, the Postal Service has not demonstrated that its implementation of the proposed changes will satisfy the requirements.

Before implementing its plan, the Commission recommends the Postal Service:

- Set realistic interim service performance targets to monitor progress towards its longer-term target of 95 percent on time delivery of FCPS.
- Develop a rigorous analytical methodology to identify the changes in costs that will result from implementing its plan because the cost savings projected by the Postal Service rely on unproven assumptions.
- Monitor customer satisfaction going forward, particularly for key segments that may be most affected by implementation of its plan.
- Engage stakeholders in a continuing dialogue regarding the effects of implementing its proposed changes and potential mitigation measures due to a number of highly dynamic factors that the Postal Service expects will continue to evolve throughout FY 2022.

The Commission's complete Advisory Opinion may be found on the homepage of its website: www.prc.gov.