



# **NATIONAL POSTAL POLICY COUNCIL**

**Mark D. Acton, Commissioner**

**Alex Cooper, Special Assistant to  
Commissioner Acton**



# Our Thanks

- The Commission ALWAYS appreciates being included
- The NPPC is a respected organization in the postal community
- Our special thanks to your Chairman Mike Tate, Executive Director Art Sackler, and your counsel Bill Baker for inviting us
- **This presentation represents my views, not necessarily the views of the Commission**



# Table of Contents

- Introduction
- Disclaimer/PRC Ex Parte



# PRC Ex Parte Rules

- When Matters are No Longer Before the Commission
  - Ex parte communications policy is no longer applicable once a matter is “no longer before the Commission.” This generally occurs upon the Commission’s issuance of the final order or decision in a docketed matter. See 39 C.F.R. § 3008.3(d)(1).



**Please Visit our PRC Website**

**[WWW.PRC.GOV](http://WWW.PRC.GOV)**



# Table of Contents

- What's Going on at the PRC?
  - COVID-19 and Commission Telework Policy
  - New Budget Process
    - The Commission is hiring regulatory counsel and analysts
  - Strategic Planning Update
  - Federal Employee Viewpoint Survey (FEVS)
  - All Hands Staff Meeting/Retreat





# Table of Contents

- Postal Service Reform Act (PSRA):
  - Medicare Integration
  - Forgiving outstanding unfunded liabilities
  - PRC Budget
  - PRC IG Transfer to USPS Office of the Inspector General
    - New USPS OIG Joint Relationship with the USPS Board of Governors
  - Website dashboards/other data initiatives
  - Other New PRC Duties



# Table of Contents

- Monthly Financial Report
- Payroll/Business Check for Gift Cards Pilot Program
- Product Transfer Case Follow-up: Bound Printed Matter
- Appropriate Share of Institutional Costs Update
- UPU Concerns
- Q & A





# PRC and COVID-19/Telework

- Office re-entry for PRC staff has begun
- Agency has been on full time telework since March 2020
- The Commission succeeded fully in its mission, and productivity even increased out of necessity due to ever growing volume of work



# PRC and COVID-19/Telework

- The Chairman decided on a hybrid telework model, which will require most Agency staff to be in the office 2 days a week.
- Conditions for fostering collegial professional relationships and negotiating public policy were sub-optimal, however
- Many jobs at the PRC are suited to virtual offices, but many positions benefit from in-person interaction



# PRC ALL Staff Meeting/Retreat

- Commission currently has plans for either an ALL staff retreat or an ALL staff, in-person agency meeting at HQ
- Many new and pending hires who've never met their colleagues
- Telework seems to be enhanced when colleagues have developed in-person relationships and understand each other's respective communication style
  - Can't be established as effectively by virtual means alone



# PSRA Impact: PRC Budget

- Prior to passage of PSRA, the Commission's budget had to be approved by the Congressional Appropriations process
- The new budget process requires the Commission to submit its budget proposal to the Postal Service by September 1, 2022, and annually thereafter by September 1
- The Governors have 30 days in which to act. If no action is taken, the Commission's submittal becomes final
  - Requires UNANIMOUS action by the board
- The Governors' adjustments (increase or decrease), if any, within the 30 day period apply only to the proposed budget total and cannot prescribe line-item amounts for specific aspects of the budget, such as department funding allocation



# PSRA Impact: PRC and USPS Office of Inspector General

- The PRC no longer has its own dedicated Inspector General
- Oversight duties have been re-allocated to the USPS Office of the Inspector General
- Memorandum of Understanding is being developed by the Commission to coordinate with the Postal Service OIG, which must be effected 180 days after PSRA was enacted (by October 3, 2022)



# PSRA Impact: PRC Website Dashboards

- The Commission is mandated to provide the Postal Service with requirements for the public information Dashboards that the Postal Service is to develop and maintain
- The Commission is also authorized to make recommendations for any modifications to Postal Service measurement systems necessary to measure and publish performance information.
- *Not later than 90 days after receipt of the performance targets (e.g., by approximately February 28, 2023 for FY 2023), the Commission is to provide the Postal Service with requirements for publishing performance information of the Postal Service dashboard. 39 U.S.C. § 3692(b)*





# PSRA Impact: PRC Flats Study

- The Commission is tasked with the responsibility for conducting a study in consultation with the Inspector General of the Postal Service and with the assistance of the Postal Service. Section 206(a)(1) and (a)(2)
- The PRC will:
  - report findings to Congress and the Postmaster General. Section 206(a)(3)
  - Approve the Postal Service’s plan to remedy the inefficiencies identified in the Commission’s study. Section 206(b)(2)(A)



# PSRA Impact: PRC Flats Study

- The Commission must submit its study to Congress and the Postmaster General not later than one year after enactment
  - Must be submitted by April 6, 2023



# PSRA Impact:

## FSGG Section 201: Service Standards

- “[T]o ensure that mail service for postal customers meets the service standards for market-dominant products, established under [39 U.S.C.] section 3691....” 39 U.S.C § 3692 as added by Section 201 of the Act.
- Commission’s Role: The Commission is to continue its oversight of Postal Service performance targets, to oversee the Postal Service’s development and maintenance of a public information dashboard. 39 U.S.C. § 3692(b). The Commission is also expected to consult regularly with the Postal Service on appropriate features and information to be included on the Postal Service website. 39 U.S.C. § 3692(c)(6). Finally, the Commission will review Postal Service references to the public information dashboard which are to be included in the Postal Service’s [39 U.S.C.] Section 2803 Annual Performance Plan and [39 U.S.C.] Section 2804 Annual Performance Report. 39 U.S.C. § 3692(c)(10).
- Commission’s Responsibilities:
  - The Commission is required to provide the Postal Service with requirements for the public information dashboard that the Postal Service is to develop and maintain.
  - The Commission is also authorized to make recommendations for any modifications to Postal Service measurement systems necessary to measure and publish performance information.



# PSRA Impact:

## FSGG Section 201: Service Standards

- Timeline: The implementation of Section 201 is to occur according to the following schedule:
  - Not later than 60 days after the beginning of the fiscal year to which they apply (e.g., by approximately November 30, 2022, for FY 2023), the Postal Service is to provide the Commission with performance targets for each market dominant product. 39 U.S.C. § 3692(a)(1). (The previous fiscal year's performance targets are to continue to be provided by the Postal Service in its annual compliance report due around the end of December). 39 U.S.C. § 3692(a)(2).
  - Not later than 90 days after receipt of the performance targets (by approximately February 28, 2023 for FY 2023, for instance), the Commission is to provide the Postal Service with requirements for publishing performance information of the Postal Service dashboard. 39 U.S.C. § 3692(b).
  - The Postal Service shall implement the Commission requirements and recommendations not later than 60 days after receipt from the Commission (e.g., by approximately May 31, 2023 for FY 2023. 39 U.S.C. § 3692(c)(8).



# July 2022 USPS Financial Analysis and Rate Authority

- BLS released the July 2022 CPI-U figure: 296.276. This is 0.01 percent less than the June 2022 CPI-U figure. The 12-month average change in CPI-U is 7.437 percent. If the Postal Service were to file a notice of rate adjustment today, it would be eligible for a 5-month CPI-U rate authority of 3.514 percent.
- The Postal Service accumulated cash by deferring the payment of some of its bills and deferring capital improvements projects.
- There is \$1.8 billion in deferred payments for social security, which is due at the end of this year (December 31, 2022)
- In its 3rd Quarter FY 2022 Form 10-Q the Postal Service states that it has sufficient cash to pay 93 days of capital investment and cash expenses. The cash expenses do not include depreciation, amortization on its retirement fund – FERS and CSRS and all retiree health bills (normal cost and amortization).
- Its cash reserves cover around 3 months of operational expenses excluding the retirement and retiree health expenses. Businesses generally hold 3 to 6 months of cash reserves that cover all expenses to hedge against downturns and “unusual events” (such as a pandemic)
- The Postal Service is largely a cash business with minimal trade receivables and payables (other than the employee related liabilities) and does not have the ability to raise capital, so it is important to build up its cash reserves to mitigate unforeseen risks



# Payroll/Business Checks for Gift Cards Pilot Program

- In Docket No. MC2022-60, the Commission issued a notice and order concerning the Postal Service's program permitting the use of payroll and commercial checks to purchase Postal Service gift cards
- Only a handful of instances where anyone took advantage of this product offering
- Commission questioned whether the use of these checks represented a change in the nature of the gift card product or is a defined sub-unit of that product, such that it be categorized as a non-postal product and required to be terminated
- Commission Decision TBD





# Bound Printed Matter Transfer

- On March 26, 2021, the Postal Service filed a notice with the Commission requesting that Bound Printed Matter Parcels (BPM) be transferred from the Market Dominant Products list to the Competitive Products list as Parcel Select Bound Printed Matter
- In the FY 2021 Annual Compliance Determination (ACD), the Commission issued a directive that the Postal Service increase BPM Parcels' prices by at least 2 percentage points above the class average in each rate case until issuance of the FY 2022 ACD



# Bound Printed Matter Transfer

- On April 28, 2022, the Postal Service filed a motion requesting that the Commission reconsider this directive, making two primary arguments:
  - That “the Commission exceeded its authority by issuing this directive without first making a finding that BPM Parcels violated a provision of 39 U.S.C. chapter 36 (or the underlying regulations)”
  - That the Commission would not be justified in making such a finding regarding BPM Parcels based on Commission precedent related to non-compensatory products.
- The Commission is currently working with staff on next steps



# Appropriate Share of Institutional Costs

- Institutional Cost Percentage requirement:
  - Required by the Postal Accountability and Enhancement Act of 2006
- PRC's initial rulemaking was issued August 5, 2007, which set the appropriate share of institutional cost contribution requirements of competitive product contracts at 5.5 percent of total institutional costs
- Based largely on historical/"look-back" data approach



# Appropriate Share of Institutional Costs

- On January 3, 2019, the Commission issued an order which implemented the formula-based approach to calculate the appropriate share and adopted related final rules.
- Dynamic approach using current marketplace inputs to determine appropriate institutional share
- This formula-based appropriate share would result in an increase in required institutional cost contributions by competitive products



# Appropriate Share of Institutional Costs

- Once the Final Rule was adopted, UPS filed a brief with the D.C. Circuit Court of Appeals challenging the Commission's order establishing our new methodology for determining the Attributable Cost
- The Court remanded the order for clarification



# Appropriate Share of Institutional Costs

- On November 18, 2021, the Commission issued its Supplemental Notice of Proposed Rulemaking
- PRC Staff and Commissioners are currently working together on next steps
  
- Alternatives Proposed by Commenters:
  - 4 UPS Proposals to Modify the Appropriate Share
  - PR, Amazon, Postal Service, Pitney Bowes support PRC interpretation





# PRC

## Advisory Opinions / “N” Cases

- The law does not give the Commission authority to veto any of the Postal Service’s service changes
- It is important to note that the Advisory Opinion is, as the name suggests, *advisory* in nature – not *decisional*
  - As a result, the Postal Service is not required to implement Commission advice or take any further action



# PRC

## Advisory Opinions / “N” Cases

- The Commission produced two Advisory Opinion requests in 2021
  - Both AOs filed in 2021 stemmed from USPS’s “10-Year Plan to Achieve Financial Sustainability and Service Excellence”
  - N2021-1 dealt with service standard changes to Market Dominant products, while N2021-2 Advisory Opinion was regarding a Competitive Product service standard change

PRC hosted our first virtual for-the-record hearings in connection with first 2021 Advisory Opinion



# PRC

## Advisory Opinions / “N” Cases

- On August 12, 2022, the Commission received a request for Advisory Opinion on Critical Entry Time (CET) Changes for Periodicals
- A pre-filing Conference was held on August 25.
- It is the Commission’s goal to complete the Advisory Opinion process within 90 days, but can make an exception to extend that timeline as circumstances dictate



# Universal Postal Union

- The Commission is continuing to support the State Department in promoting U.S. international postal policy goals, mainly through the relevant UPU working groups within the Universal Postal Union.
  - State Department has ultimate authority for deciding U.S. international postal policy. State's role is to represent the social and economic interests of all stakeholders, not only the Postal Service
- The U.S. position should serve to level the playing field for private and postal operators through increased interoperability that will ultimately benefit consumers with more choices, more competitive rates, and better quality of service. State's proposals take significant steps towards these goals.



# Universal Postal Union

- UPU international policy goals that are enshrined in our law:
  - Promoting and encouraging communications among peoples through efficient international postal and delivery services;
  - Promoting unrestricted and undistorted competition in international postal and delivery services
  - Maintaining the separation of operational and governmental functions through bilateral and multilateral agreements
  - Participating in multilateral and bilateral agreements with other countries to accomplish these objectives.



# Universal Postal Union

The Commission encourages **active private sector input** on UPU reform at the national and international levels





# USPS Board of Governors

- The Board currently has a FULL COMPLEMENT of Governors:
  - Ron Bloom of New York—Chairman of the Board of Governors – Confirmed by the Senate on August 1, 2019
  - Roman Martinez IV of Florida—Vice Chairman of the Board of Governors—Confirmed by the Senate on August 1, 2019
  - Robert Duncan of Kentucky – Confirmed by the Senate December 5, 2018
  - John Barger of California – Confirmed by the Senate on August 1, 2019
  - William Zollars of Kansas—Confirmed by the Senate June 18, 2020
  - Donald Lee Moak of Florida—Confirmed by the Senate June 18, 2020
  - Ron Stroman of Washington, DC (Former Deputy Postmaster General)—Confirmed by the Senate May 12, 2021
  - Amber McReynolds of Colorado—Confirmed by the Senate May 13, 2021
  - Anton Hajjar of Maryland—Confirmed by the Senate on June 15, 2021



# QUESTIONS?





**PLEASE VISIT**

**WWW.PRC.GOV**