

Postal Regulation in a Time of Change

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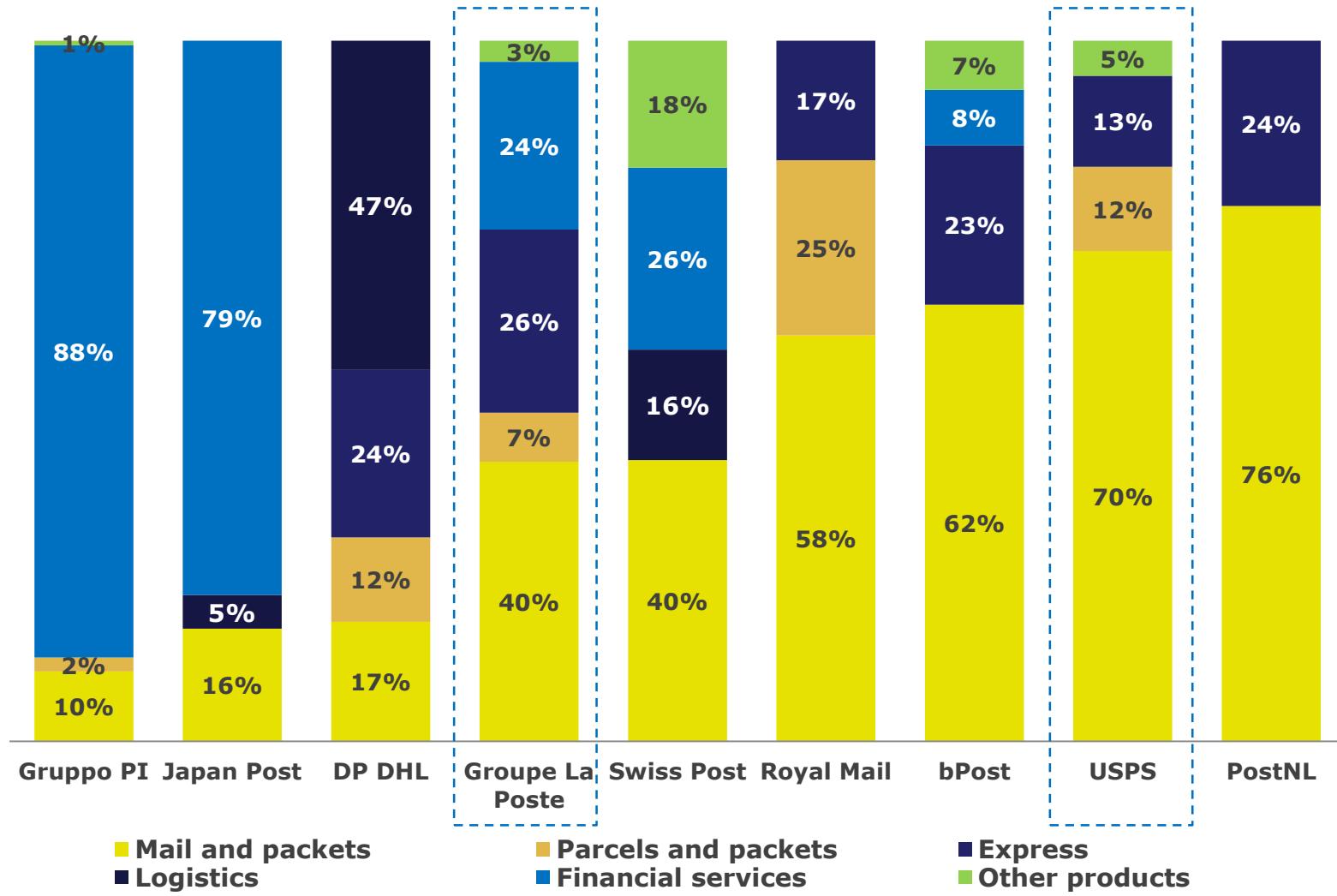
I/ Evaluation of the PAEA

Topic	Objective	Met ?
Structure of the ratemaking system	Pricing efficiency	
	Predictability and stability in rates	
	Reduction of administrative burden and transparency of the ratemaking process	
	Pricing flexibility	
	Just rates	
Financial health of the Postal Service	Short-term financial stability	
	Medium-term financial stability	
	Long-term financial stability	
	Cost reduction	
	Efficiency gains	
Service	Maximization of incentives to reduce costs and increase operational efficiency	
	Reasonable rates	
	Service standards quality	

II/ Ratemaking systems

Products	PAEA (2006)	Potential future regulations
Competitive	Each competitive product covers its attributable costs. All competitive products collectively cover an appropriate share of the institutional costs of the Postal Service.	10 years 10 years ? / Review clause ?
		Annual rate : CPI-U
		Additional rate authority (+2%) during the first five full calendar years
Market dominant		Performance-based rate authority <ul style="list-style-type: none">• Efficiency-based : +0,75%• Service quality-related : +0,25%
		Rate design requirements on non-compensatory products
		Bands that set the percentages of avoided costs that may be reflected in the discounts (phase-in period of 3 years): <ul style="list-style-type: none">• Periodicals : 75% - 125%• Other classes : 85% - 115%

III/ Diversification: a solution for postal operators ?



IV/ The evolution of regulation towards diversification

- **Postal Accountability and Enhancement Act (2006) - Sec.102 - Postal Services:**

Nothing in this section shall be considered to permit or require that the Postal Service provide any non-postal service, except that the Postal Service may provide non-postal services which were offered as of January 1, 2006, as provided under this subsection.

Not later than 2 years after the date of enactment of the Postal Accountability and Enhancement Act, the Postal Regulatory Commission shall review each non-postal service offered by the Postal Service on the date of enactment of that Act and **determine whether that non-postal service shall continue**.

- **H.R.756 Postal Service Reform Act (2017) - Sec. 301 - Postal Service Chief Innovation Officer:**

There is established within the Postal Service the position of Chief Innovation Officer, appointed by the Postmaster General, who shall manage the Postal Service's development and implementation of innovative postal and non-postal products and services.

The primary duties of the Chief Innovation Officer are as follows:

Leading the development of innovative non-postal products and services that will maximize revenue to the Postal Service. [...]

- **S.2629 (March 2018) – Sen. Carper, Moran, Heitkamp and McCaskill**

The bill aims to give USPS new opportunities for revenue generation by allowing it to **“introduce new non-postal products and services**, ship beer, wine and distilled spirits, and partner with state and local governments in offering government services”

Thanks for your attention