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New business plan charts path to financial stability

WASHINGTON – The U.S. Postal Service (USPS) today released an important update to its business plan for returning to profitability and long-term financial stability. While fundamentally consistent with the approach advanced by the Postal Service over the past year, the plan released today incorporates important refinements of financial projections and recommended legislative reforms.

“The plan we have developed requires a combination of aggressive cost reduction, rethinking the way we manage our healthcare costs, and comprehensive legislation to reform the business model of the Postal Service,” said Postmaster General, Patrick Donahoe. “If provided the flexibility to quickly implement this plan, we can return to profitability and better serve the American public. If not, we risk becoming a significant burden to the American taxpayer.”

At its core, the plan requires the reduction of annual costs by at least \$20 billion by 2015, rising to more than \$22 billion by 2016. This cost reduction is necessary given projected declines in First-Class Mail volume, which has already dropped by 25 percent since 2006. However, the Postal Service can achieve only a portion of these reductions under current business model constraints; legislative changes are needed to achieve the full \$20 billion in cost reductions.

In the absence of legislative reform that quickly enables meaningful operational changes and cost reductions, the Postal Service could incur annual losses as great as \$18.2 billion by 2015, and accumulate a total debt of \$92 billion by 2016. “These prospective losses would be unsustainable and highly undesirable,” said Donahoe. “Fortunately, as our plan demonstrates, such an outcome is entirely avoidable; the Postal Service can be profitable over the long term and not require taxpayer support.”

The Postal Service is a self-financing federal entity that generates its revenue from the sale of postal products and services.

The comprehensive five-year plan provides an achievable roadmap to long-term financial stability and independence from taxpayer support, and provides for full repayment of \$12.9 billion in debt currently owed to the U.S. Treasury. A central tenet of the plan is that success is not dependent upon achieving a mix or subset of reforms: the scale of the financial challenge requires that all of the major elements be pursued concurrently and fully executed within a short window of opportunity.

Among the major legislative reforms recommended, the most significant include enabling the Postal Service to provide employee health benefits independent of federal programs (\$7.1 billion annual cost reduction), and transitioning to a national five-day delivery schedule (\$2.7 billion annual cost reduction).

The Postal Service also is aggressively pursuing the realignment of its mail processing, retail and delivery operations, which is expected to yield more than \$8.1 billion in annual cost reduction. Additionally, the Postal Service is seeking other significant cost reductions and is continuing efforts to grow or retain revenues within its current business model.

The plan has been subjected to independent review and analysis by Evercore Partners, one of the nation's leading independent investment banks and a prominent financial advisor on major corporate restructurings. Evercore Partners played an important role in analyzing Postal Service models and assumptions, and validating the approach taken by management to develop the plan. The plan also reflects prior business model analysis from McKinsey & Company and revenue projections from the Boston Consulting Group.

"We have set out a roadmap to put our current financial crisis behind us and we are highly confident that it is achievable," said Donahoe. "However, our success depends on whether we can quickly implement our proposed changes, and that depends on whether we can gain the necessary legislative reforms we need to move ahead."

The Postal Service is a vital part of the nation's economic infrastructure, providing a reliable, secure, and affordable delivery platform that sustains a \$900 billion mailing industry that employs 8 million people.

The Postal Service receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund its operations.

[Click here to view new five-year USPS business plan.](#)

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A self-supporting government enterprise, the U.S. Postal Service is the only delivery service that reaches every address in the nation, 151 million residences, businesses and Post Office Boxes. The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postage, products and services to fund its operations. With 32,000 retail locations and the most frequently visited website in the federal government, *usps.com*, the Postal Service has annual revenue of more than \$65 billion and delivers nearly 40 percent of the world's mail. If it were a private sector company, the U.S. Postal Service would rank 35th in the 2011 Fortune 500. In 2011, the U.S. Postal Service was ranked number one in overall service performance, out of the top 20 wealthiest nations in the world, by Oxford Strategic Consulting. *Black Enterprise* and *Hispanic Business* magazines ranked the Postal Service as a leader in workforce diversity. The Postal Service has been named the Most Trusted Government Agency for six years and the sixth Most Trusted Business in the nation by the Ponemon Institute.

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