



FOR IMMEDIATE RELEASE
Nov. 12, 2010

POSTAL NEWS

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Release No. 10-107

Postal Service Ends 2010 with \$8.5 Billion Loss *Record Efficiency Levels and Work Hour Reductions Cannot Offset Falling Volumes — Fundamental Changes Needed*

WASHINGTON — The U.S. Postal Service today reported its 2010 financial results, showing a net loss of \$8.5 billion for the fiscal year ended Sept. 30.

Excluding charges to income primarily resulting from changes to interest rates that impact the organization's workers' compensation liability, the net loss was \$6 billion.

The recent recession, continuing economic pressures and migration of mail to electronic media had a significant adverse impact on mail volumes and operating revenues. Despite rigorous initiatives that eliminated 75 million work hours and drove productivity to record highs in 2010, the losses mounted.

"Over the last two years, the Postal Service realized more than \$9 billion in cost savings, primarily by eliminating about 105,000 full-time equivalent positions — more than any other organization, anywhere," said Chief Financial Officer Joe Corbett. "We will continue our relentless efforts to innovate and improve efficiency. However, the need for changes to legislation, regulations and labor contracts has never been more obvious."

Details of Fiscal Year 2010 results include:

- Operating revenue of \$67.1 billion in 2010 declined \$1 billion from 2009, primarily due to lower volume;
- Operating expenses for 2010 of approximately \$70 billion (excluding a \$5.5 billion expense for pre-funding Retiree Health Benefits), down from approximately \$70.4 billion in 2009 (excluding a \$1.4 billion expense for RHB);
- Net loss of \$8.5 billion in 2010, \$4.7 billion above the 2009 level, mostly as a result of the revenue decline, additional expenses in 2010 associated with RHB pre-funding and workers' compensation – but offset by cost savings associated with the work hour reduction; and
- Total mail volume of 170.6 billion pieces, compared to 176.7 billion pieces in 2009, a decline of 3.5 percent.

First-Class Mail volume continues to decline, with year-over-year declines of 6.6 percent in 2010, 8.6 percent in 2009, and 4.8 percent in 2008. This trend is particularly disturbing as First-Class Mail, the most profitable product, generates more than half of total revenue. Volume for Standard Mail showed improvement during the year, reflecting some signs of economic recovery in late 2010, but, in total, was flat in 2010, compared to 2009.

In its report on the financial statements contained in the Postal Service's 2010 report, independent auditor Ernst & Young is expected to issue an unqualified audit opinion that will emphasize that questions remain about the ability of the Postal Service to generate sufficient

liquidity to make all of its future payments, including the \$5.5 billion RHB pre-funding payment due on the last day of fiscal year 2011.

In 2010, the Postal Service complied with Section 404 of the Sarbanes-Oxley Act (SOX) as mandated by the Postal Accountability and Enhancement Act of 2006. This was one of the largest successful SOX implementations on record and the first within the federal government.

Copies of the 2010 financial results will be available Nov. 15 on the Annual Reports page of the Postal Service website, *usps.com*, at: <http://www.usps.com/financials/ar/welcome.htm#10k>.

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

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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, 150 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 \$67 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 29th in the 2010 Fortune 500. 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 six consecutive years and the sixth Most Trusted Business in the nation by the Ponemon Institute.