

FOR IMMEDIATE RELEASE  
Aug. 5, 2011

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Release No. 11-094

## **U.S. Postal Service Loss Continues in Third Quarter** *Default on Federal Payments Unavoidable Without Congressional Action*

WASHINGTON — The U.S. Postal Service ended its third quarter of fiscal year (FY) 2011 (April 1-June 30) with a net loss of \$3.1 billion, compared to a net loss of \$3.5 billion for the same period in FY 2010. Total mail volume declined to 39.8 billion pieces for the quarter, compared to 40.9 billion pieces in the third quarter of FY 2010.

Postal Service third quarter revenue reflects the anemic state of the economy during the past three months. Additionally, the growth in electronic communications continues to erode core First-Class Mail volume. Net losses for the nine months ended June 30 amount to \$5.7 billion in 2011 compared to \$5.4 billion in 2010.

Even with significant cost reductions and revenue growth initiatives, current financial projections indicate the Postal Service will have a cash shortfall and will have reached its statutory borrowing limit by the end of the fiscal year. Absent substantial legislative change, the Postal Service will be forced to default on payments to the federal government.

“We continue to take aggressive actions to reduce costs and bring the size of our infrastructure into alignment with reduced customer demand,” says Postmaster General and CEO Patrick Donahoe. The Postal Service announced plans on July 25 to identify and study nearly 3,700 under-utilized Post Offices for possible closure and introduced the new Village Post Office concept. Village Post Offices would be operated by local businesses, such as pharmacies, grocery stores and other appropriate retailers, and would offer popular postal products and services such as stamps and flat-rate packaging.

Despite an overall dire financial situation, the Postal Service reports increased revenue for the quarter in certain areas. Standard Mail revenue increased 1.7 percent in the third quarter, and Package Services revenue increased 3.2 percent. Revenue from Shipping Services, including Express Mail and Priority Mail, increased 7.3 percent for the quarter.

Major elements of the third quarter financial results include:

- Total mail volume of 39.8 billion pieces, compared to 40.9 billion pieces in the same period a year earlier, a decrease of 2.6 percent, led by a drop in First-Class Mail; and
- Operating revenue of \$15.8 billion, compared to \$16.0 billion in the same period a year earlier, a decrease of 1.7 percent.

Mailing Services revenue of \$13.6 billion decreased \$429 million, or 3.1 percent, in the third quarter of 2011, compared to the same period a year ago. Mailing Services volume of 39.5 billion pieces represents a 2.7 percent decline from the same period a year earlier.

Mailing Services results in the third quarter include:

- First-Class Mail revenue of \$7.8 billion, on volume of 17.7 billion pieces;
- Standard Mail revenue of \$4.2 billion, on volume of 19.8 billion pieces;
- Periodicals revenue of \$454 million, on volume of 1.8 billion pieces; and
- Package Services revenue of \$354 million, on volume of 143 million pieces.

Shipping Services revenue of \$2.2 billion represents an increase of \$150 million or 7.3 percent compared

to the same period a year ago. Shipping Services volume of 359 million pieces represented a 5.9 percent increase compared to the same period a year earlier.

Electronic diversion continues to cause reductions in First-Class Mail. For the third quarter, single-piece First-Class letter revenue declined \$259 million or 8.7 percent, while Periodicals revenue decreased 3.0 percent compared to the same period a year earlier.

“Since the passage of the Postal Accountability and Enhancement Act of 2006 (PAEA), the Postal Service has contributed more than \$37 billion to a trust fund for future retiree health benefits,” says Joseph Corbett, CFO and executive vice president. “We are experiencing a severe cash crisis and are unable to continue to maintain the aggressive prepayment schedule that was mandated in the PAEA. Without changes in the law, the Postal Service will be unable to make the \$5.5 billion mandated prepayment due in September.”

The Postal Service is aggressively reducing expenses, including organizational redesign initiatives. Work hours were reduced by 9.2 million hours or 3.1 percent in the third quarter compared to the same period a year ago. During the first nine months of 2011, 2.8 percent fewer work hours were used compared to 2010. The third quarter saw the voluntary retirement of more than 1,850 administrative employees as part of the current restructuring initiative.

While the Postal Service continues to reduce expenses, it has maintained excellent service performance during the third quarter, with the national score for overnight Single-Piece First-Class Mail arriving on time 96.6 percent of the time.

Copies of the third quarter financial results will be available later today on the Postal Service website: <http://about.usps.com/who-we-are/financials/welcome.htm>.

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.