



POSTAL NEWS

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Postal Service \$15.9 Billion Loss Highlights Urgent Need for Legislative Reform in Congressional Lame Duck Session

- *Shipping and Package Business Grows 8.7 Percent to Nearly \$12 Billion*
- *Productivity Hits Record Level as Work Hours Decline*
- *Record Loss Includes Default of \$11.1 Billion to Prefund Retiree Health Benefits*

WASHINGTON — The U.S. Postal Service ended the 2012 fiscal year (Oct. 1, 2011 – Sept. 30, 2012) with a record net loss of \$15.9 billion, compared to a net loss of \$5.1 billion for the same period last year. The loss included expenses of \$11.1 billion related to two payments to prefund retiree health benefits. The Postal Service, which is uniquely required by law to prefund these obligations, was forced to default on these payments.

Resolving the prefunding requirement, which made up 70 percent of the net loss, and providing more commercial flexibility to allow the Postal Service to manage its business, are among legislative changes needed for USPS to fully implement its business plan to return to financial stability.

"It's critical that Congress do its part and pass comprehensive legislation before they adjourn this year to move the Postal Service further down the path toward financial health," said Postmaster General and CEO Patrick Donahoe. "We continue to do our part to grow revenue and reduce expenses by making our operations more efficient and by providing our customers with new and expanded services to meet their mailing and shipping needs. Additionally, through the expanded use of technology, including better use of digital tools and mobile technology, we are providing business mailers with new opportunities to connect with customers in a more individualized way."

Besides resolving the accelerated schedule to prefund retiree health benefits and allowing the Postal Service the flexibility to sponsor its own healthcare program for employees and retirees, the Postal Service Business Plan includes these other actions that require legislative action:

- Allowing the Postal Service to determine delivery frequency
- Allowing the Postal Service to offer non-postal products and services
- Developing a more streamlined governance model for the Postal Service that would allow for quicker pricing and product decisions
- Instructing arbitrators that, during labor negotiations, they must take into account the financial condition of the Postal Service when rendering decisions
- Resolving the overfunding of the Postal Service's obligation to the Federal Employees' Retirement System (FERS).

Results of Operations

The Postal Service continues to grow its package services business. Revenue from Postal Service package business increased by \$926 million, or 8.7 percent, on a volume increase of 244 million pieces compared to the same period last year. Higher consumer spending, higher e-commerce retail sales plus increased marketing efforts drove much of the growth in this segment of the Postal Service business during the last year.

The encouraging growth trend in the package business is not, by itself, enough to offset the declines in First-Class Mail and Standard Mail. First-Class Mail revenue, which peaked in 2007, dropped \$1,163 million or 3.9 percent while Standard Mail decreased \$747 million or 4.3 percent compared to last year. However, the rate of decline in the First-Class category did slow in 2012.

Other details of the yearly results compared to the same period last year include:

- Total mail volume of 159.9 billion pieces compared to 168.3 billion pieces a year ago
- Operating revenue of \$65.2 billion compared to \$65.7 billion in 2011
- Operating expenses of \$81.0 billion (including the \$11.1 billion expense associated with prefunding retiree health benefits) compared to \$70.6 billion the year before

The \$15.9 billion loss was driven by \$13.4 billion in expenses that were outside the control of the Postal Service in the short-term. These expenses include the \$11.1 billion retiree health benefits prefunding expenses and the expenses related to the long-term portion of workers' compensation. When these expenses are deducted the net loss would have been \$2.5 billion. The Postal Service has been successful in reducing controllable expenses as mail volume and revenues have declined.

"Our productivity grew to a record level as we captured cost savings and improved productivity for the thirteenth straight quarter," said Chief Financial Officer, Joseph Corbett. This year's improvement is largely attributable to the reduction in work hours, which decreased by 27 million, or 2.3 percent, in 2012 from the previous year. Total work hours continue to decrease despite increases in the number of delivery points, which rose by approximately 1.3 million over the last two years.

"These work hour reductions reflect our efforts to improve productivity and to respond to the decline in mail volume," said Corbett. "Since 2000, we have reduced work hours by a cumulative total of 504 million work hours, equivalent to 286,000 employees, or \$21 billion in expense savings each year."

At the end of 2012 fiscal year the Postal Service reached its statutory debt ceiling of \$15 billion for the first time. "Our liquidity continues to be a major concern and underscores the need for passage of legislation that gives the Postal Service a more flexible business model to improve its cash flow," said Corbett. "Despite reaching the debt limit, the Postal Service mail operations and delivery continue as usual and employees and suppliers continue to be paid on-time."

The Postal Service's revenue over the first six weeks of fiscal 2013 is benefiting from the start of the holiday mailing season and political and election mail from the just completed general election season.

Complete financial results are available in the Form 10-K, available after 10 a.m. ET today at <http://about.usps.com/who-we-are/financials/welcome.htm>

Financial Briefing Today

Postmaster General & CEO Patrick R. Donahoe and Chief Financial Officer Joe Corbett will host a telephone/web conference call at 1 p.m. ET today (Nov. 15) to discuss the financial results. The call is open to the news media and all other interested parties.

To attend by phone with audio only, dial 866-966-6305 (meeting ID: 2158541).

To attend the web conference and join with audio:

- 1) Browse to <http://meetingplace4.usps.gov/join.asp?2158541>
- 2) After the MeetingPlace window is open, click the Phone icon (Under the Participant List or in the upper right-hand corner).
- 3) Click Connect Me, validate or update your phone number and click Connect Me again.
- 4) When the system calls you, press 1 to join.

The briefing will also be available on live audio webcast (listen only) at:
<http://about.usps.com/news/electronic-press-kits/cfo/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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For reporters interested in speaking with a regional Postal Service public relations professional, please go to <http://about.usps.com/news/media-contacts/usps-local-media-contacts.pdf>.

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, Oxford Strategic Consulting ranked the U.S. Postal Service number one in overall service performance of the posts in the top 20 wealthiest nations in the world. *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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