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U.S. Postal Service Reports 2.0 Percent Revenue Increase, \$2.0 Billion Loss in Quarter 3

- *Shipping and Package Services Revenue Up 6.6 Percent*
- *January Price Increase Offsets Continued Volume Loss in First-Class Mail, Driving All Mail Revenue Up \$424 Million*
- *Need for Comprehensive Legislation Remains Urgent*

WASHINGTON — The U.S. Postal Service ended the June 30, 2014, quarter with a net loss of \$2.0 billion, compared to a net loss of \$740 million for the same period last year. The Postal Service has recorded a loss in 21 of the last 23 quarters, the excepted quarters being the two in which Congress rescheduled the Retiree Health Benefits prefunding payments.

Revenue continues to improve as a result of the Postal Service's January mail price increase, successful sales and marketing initiatives, and continued success in growing the package business. Total operating revenue of \$16.5 billion increased by \$327 million, or 2.0 percent, compared to the same period last year.

Shipping and Package revenue was up 6.6 percent. Standard Mail revenue was up 5.1 percent, driven by a 0.9 percent increase in volume and the January 2014 price increase. First-Class Mail volume was down 1.4 percent, but the January price increase offset this decline, resulting in a 3.2 percent revenue increase.

"We're seeing momentum in our package business and continued use of direct mail as an advertising medium," said Postmaster General and Chief Executive Officer Patrick Donahoe. "We've been effective in developing and marketing our products, and we're improving how we leverage data and technology—all providing a higher return on mail for many customers and causing them to take a fresh look at the Postal Service."

Total operating expenses for the third quarter of 2014 were \$18.4 billion, an increase of \$1.5 billion from the same period last year, driven mainly by the Workers' Compensation fair value adjustment. Compensation and benefits expenses increased by \$15 million, or 0.1 percent, compared to the third quarter of 2013, as contractual pay increases were offset by work-hour reductions and more efficient use of available labor flexibility.

"Due to continued losses and low levels of liquidity, we've been extremely conservative with our capital, spending only what is deemed essential to maintain existing infrastructure," said Chief Financial Officer and Executive Vice President Joseph Corbett. "To continue to provide world-class service and remain competitive, we must invest up to \$10 billion to replace our aging vehicle fleet, purchase additional package sorting equipment, and make necessary upgrades to our infrastructure."

Corbett also said that the organization will be unable to make the required \$5.7 billion retiree health benefit prefunding payment to the U.S. Treasury, due by Sept. 30, 2014. Comprehensive postal

legislation is necessary to eliminate this liability and provide a basis for the Postal Service to return to long-term financial health.

This quarter's results were improved as a result of implementing the exigent price increase, which the Postal Regulatory Commission has ruled as a surcharge to be collected only until the Postal Service recovers a total amount of \$3.2 billion of incremental revenue, estimated to occur in the second half of 2015. The Postal Service has petitioned the United States Court of Appeals for the District of Columbia Circuit to review the PRC's order on the exigent price increase. Among other things, the Postal Service's position is that the PRC improperly and artificially limited the amount of relief to which the Postal Service was entitled as a result of the Great Recession.

Following is a summary of third quarter results of Operations compared to same period last year.

- Total mail volume of 37.7 billion pieces compared to 37.8 billion pieces
 - Shipping and Package volume increased 7.7 percent.
 - Standard Mail volume increased 0.9 percent.
 - First-Class Mail volume declined 1.4 percent. This was the 32nd consecutive quarterly decline for First-Class Mail volume.
- Operating revenue of \$16.5 billion increased \$327 million or 2.0 percent.
- Operating expenses before non-cash workers' compensation and Postal Service Retiree Health Benefit Fund expenses of \$16.5 billion increased from \$16.3 billion, a 1 percent change.

Complete financial results are available in the Form 10-Q, available at <http://about.usps.com/who-we-are/financials/welcome.htm>

Financial Briefing Mon., Aug. 11, 2014

Postmaster General & CEO Patrick R. Donahoe and Chief Financial Officer and Executive Vice President Joseph Corbett will host a telephone/web conference call at 10:00 a.m. ET Monday (Aug. 11) to discuss the financial results. The call is open to the news media and all other interested parties.

How to Participate:

Important Notice: To ensure your computer is set up to join the event, click on the link www.webex.com/lp/jointest/

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To join by phone only, dial **(855) 293-5496** and enter conference passcode: **78020345**

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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