



POSTAL NEWS

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U.S. Postal Service Reports \$586 Million Net Loss in Third Quarter; Double-Digit Package Growth

- Operating revenue of \$16.5 billion is level with the same quarter last year
- Shipping and package revenue increase of 10.6 percent
- Productivity improvements continue, somewhat offsetting inflationary cost pressures

WASHINGTON -- The U.S. Postal Service reported a net loss of \$586 million for the third quarter of fiscal 2015 (April 1, 2015 -- June 30, 2015), a reduction of \$1.4 billion from the net loss of \$2 billion for same period last year.

Operating revenue was \$16.5 billion for the quarter, essentially unchanged from the same period last year. Due to the seasonality of its business, the Postal Service has historically experienced lower revenue during the third quarter of each year. A price increase impacting certain mail classes went into effect on May 31, 2015; however this was offset by declining mail volumes as First-Class Mail and Standard Mail volumes fell 2.6 percent and 2.1 percent, respectively, compared to the same period last year.

Shipping and package revenue and volume increased by 10.6 percent and 13.4 percent, respectively, from the same quarter last year.

"The continued growth of our shipping and package services is a direct result of the Postal Service's continued efforts to offer consumers more choice, excellent value and reliable service in a growing and competitive marketplace," said Postmaster General and Chief Executive Officer Megan Brennan. "We are investing in our network and continually enhancing our services to best compete for America's shipping and package delivery business."

Total controllable operating expenses increased by \$256 million from the same quarter last year. This is the result of higher compensation costs primarily attributable to contractually-obligated salary escalations, increased benefits expenses and additional work hours associated with growth in the more labor-intensive shipping and package business.

Controllable loss in the third quarter was \$197 million, compared to a controllable income of \$10 million for the same period last year. However for the year-to-date period, the Postal Service has achieved a controllable net income of \$1.2 billion. Controllable income or loss is defined as net income excluding retiree health benefits prefunding expense and expenses for interest rate and other non-cash workers' compensation expense, which are factors largely outside of management's control.

"The combination of growing package revenues and improved productivity gains were not sufficient to offset mail volume declines and inflationary pressure, largely due to contractual increases in operating expenses, including wages, benefits and transportation." said Chief Financial Officer and Executive Vice President Joseph Corbett. "This underscores the need for a combination of continued sales growth, productivity gains and legislation to ensure the Postal Service can return to financial health and meet its public service obligations."

Also notable is the Postal Regulatory Commission's recent decision to allow the Postal Service to collect an additional \$1.4 billion in revenue from the exigent surcharge that has been in effect since January 2014. This extension raises the amount that can be recovered through the exigent surcharge to \$4.6 billion in revenue from the \$3.2 billion originally authorized, allowing the Postal Service to continue collecting the surcharge until sometime in the middle of its 2016 fiscal year.

Selected Third Quarter Results of Operations Compared to Same Period Last Year

- Total mail volume of 36.8 billion pieces decreased by 738 million pieces from 37.5 billion pieces.
 - Shipping and Package volume increased 13.4 percent.
 - First-Class Mail and Standard Mail volume decreased by 2.6 percent and 2.1 percent, respectively.
- Operating revenue of \$16.5 billion increased slightly.
- Operating expenses of \$17.1 billion decreased by \$1.3 billion or 7.2 percent.
 - Controllable operating expenses of \$16.7 billion increased by \$256 million or 1.6 percent.
 - Non-Controllable operating expenses of \$389 million decreased by \$1.6 billion or 80.2 percent

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

Financial Briefing

Postmaster General & CEO Megan J. Brennan and Chief Financial Officer and Executive Vice President Joseph Corbett will host a telephone/Web conference call to discuss the financial results in more detail. The call will begin at 10 a.m. on August 10, 2015 ET and 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/jointest/

US/Canada Attendee Dial-in: (855) 293-5496

Conference ID: 82176582

Attendee Direct URL: <https://usps.webex.com/usps/onstage/g.php?MTID=e7015ea850ac367206e7dd5bf83a415b4>

If you cannot join using the direct link above, please use the alternate logins below:

Alternate URL: <https://usps.webex.com>

Event Number: 999 838 974

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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