



# POSTAL NEWS

FOR IMMEDIATE RELEASE

May 10, 2019

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## U.S. Postal Service Reports Second Quarter Fiscal 2019 Results

- *Revenue of \$17.5 billion, essentially unchanged compared to same quarter last year*
- *Net loss of \$2.1 billion*
- *USPS remains focused on aggressive management actions and legislative and regulatory reforms to provide Americans with a financially sustainable Postal Service*

**WASHINGTON** - The U.S. Postal Service reported total revenue of \$17.5 billion for the second quarter of fiscal 2019 (January 1, 2019 - March 31, 2019), a decrease of \$8 million, or essentially flat, compared to the same quarter last year.

First-Class Mail revenue declined by \$217 million, or 3.3 percent, on a volume decline of 576 million pieces, or 3.9 percent, compared to the same quarter last year. Marketing Mail revenue declined by \$155 million, or 3.9 percent, on a volume decline of 959 million pieces, or 5.2 percent, compared to the same quarter last year. Meanwhile, Shipping and Packages revenue increased by \$253 million, or 4.9 percent, on volume growth of 5 million pieces, or 0.3 percent, compared to the same quarter last year.

Total operating expenses were \$19.6 billion for the quarter, an increase of \$751 million, or 4.0 percent, compared to the same quarter last year. Excluding costs impacted by actuarial revaluation, discount rate changes, and amortization of unfunded liabilities, which are outside of management's control, expenses increased by \$154 million, or 0.8 percent, compared to the same quarter last year.

"The Postal Service continues to pursue aggressive management actions and to seek legislative and regulatory reforms to address our overall cost structure and enhance revenue-generating opportunities," said Postmaster General and CEO Megan J. Brennan. "Our focus remains on meeting the expectations of the American public, continuing to invest in the future of the organization, and continually delivering innovations and increased value for both the senders and receivers of mail and packages."

The net loss for the quarter totaled nearly \$2.1 billion, an increase of \$747 million, compared to a net loss of \$1.3 billion for the same quarter last year, however, the controllable loss for the quarter was \$806 million, compared to a controllable loss of \$656 million for the same quarter last year.

"We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy costs," said Chief Financial Officer and Executive Vice President Joseph Corbett. "Within the framework of our current business model, we are executing to grow revenue and reduce operating expenses."

## Second Quarter Fiscal 2019 Operating Revenue and Volume by Service Category Compared to Prior Year

The following table presents revenue and volume by category for the three months ended March 31, 2019, and 2018:

	Revenue		Volume	
	2019	2018	2019	2018
<i>(revenue in \$ millions; volume in millions of pieces)</i>				
<b>Service Category</b>				
First-Class Mail	\$ 6,276	\$ 6,493	14,207	14,783
Marketing Mail	3,833	3,988	17,643	18,602
Shipping and Packages	5,441	5,188	1,470	1,465
International	583	662	205	243
Periodicals	298	304	1,163	1,185
Other	1,061	861	69	70
<b>Total operating revenue and volume</b>	<b>\$ 17,492</b>	<b>\$ 17,496</b>	<b>34,757</b>	<b>36,348</b>

## Selected Second Quarter Fiscal 2019 Results of Operations and Controllable Loss

This news release references *controllable loss*, which is not calculated and presented in accordance with accounting principles generally accepted in the United States (GAAP). Controllable loss is defined as net loss adjusted for items outside of management's control and non-recurring items. These adjustments include workers' compensation expenses caused by actuarial revaluation and discount rate changes, and the amortization of Postal Service Retiree Health Benefits Fund (PSRHBF), Civil Service Retirement System (CSRS) and Federal Employee Retirement System (FERS) unfunded liabilities.

The following table presents selected results of operations and reconciles GAAP net loss to controllable loss and illustrates the loss from ongoing business activities without the impact of non-controllable items for the three months ended March 31, 2019, and 2018:

	2019	2018
<i>(results in \$ millions)</i>		
<b>Operating revenue</b>	<b>\$ 17,492</b>	<b>\$ 17,496</b>
Other revenue	3	7
<b>Total revenue</b>	<b>\$ 17,495</b>	<b>\$ 17,503</b>
<b>Total operating expenses</b>	<b>\$ 19,557</b>	<b>\$ 18,806</b>
Interest and investment income (expense), net	(20)	(32)
<b>Net loss</b>	<b>\$ (2,082)</b>	<b>\$ (1,335)</b>
PSRHBF unfunded liability amortization expense <sup>1</sup>	275	297
Change in workers' compensation liability resulting from fluctuations in discount rates	454	(557)
Other change in workers' compensation liability <sup>2</sup>	(53)	(58)
CSRS unfunded liability amortization expense <sup>3</sup>	360	479
FERS unfunded liability amortization expense <sup>4</sup>	240	415
Change in normal cost of retiree health benefits due to revised actuarial assumptions <sup>5</sup>	—	103
<b>Controllable loss</b>	<b>\$ (806)</b>	<b>\$ (656)</b>

<sup>1</sup> Expense for the accrual for the annual payment due to PSRHBF by September 30 of the respective fiscal year, for the amortization of the unfunded liability based on Postal Service estimates to OPM's preliminary calculations with updated discount rate assumptions.

<sup>2</sup> Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

<sup>3</sup> Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

<sup>4</sup> Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made through 2047 based on OPM invoices.

<sup>5</sup> Represents the accrual for the portion or the increase in the annual normal cost payments due September 30, 2018, attributable to revised actuarial assumptions and discount rate changes, based on OPM's invoices for the year. This amount represents the noncontrollable portion of the expense recorded for normal cost of retiree health benefits.

Financial results in the Form 10-Q are available at <http://about.usps.com/what/financials/>

### **Financial Briefing**

Postmaster General and CEO Megan J. Brennan and CFO 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 11:00 a.m. ET on May 10, 2019, and is open to news media and all other interested parties.

### **How to Participate:**

US/Canada Attendee Dial-in: 844-340-4622      Conference ID: 7292237

Attendee Direct URL: <https://usps.webex.com/usps/onstage/g.php?MTID=e90f12ba011df20ee4d2de5e93bf934f8>

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

Event Number: 828 842 105

The briefing is also available on live audio webcast (listen only) at:

<http://about.usps.com/what/financials/briefings/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.