



# POSTAL NEWS

FOR IMMEDIATE RELEASE

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## U.S. Postal Service Reports First Quarter Fiscal 2020 Results

- *Revenue of \$19.4 billion; package revenue of \$6.6 billion*
- *Net loss of \$748 million reflects continued systemic challenges*
- *Work hour reduction of 6.4 million demonstrates continued aggressive management actions*

**WASHINGTON** - The U.S. Postal Service reported total revenue of \$19.4 billion for the first quarter of fiscal 2020 (October 1, 2019 - December 31, 2019), a decrease of \$363 million, or 1.8 percent, compared to the same quarter last year.

Due to continuing secular declines in transaction mail, First-Class Mail revenue declined by \$168 million, or 2.5 percent, on a volume decline of 571 million pieces, or 3.8%, and Periodicals revenue declined by \$24 million, or 7.7 percent, compared to the same quarter last year. Marketing Mail revenue declined by \$254 million, or 5.4 percent, on a volume decline of 1.7 billion pieces, or 7.9 percent, compared to the same quarter last year. The majority of volume declines in Marketing Mail were due to high levels of political and election mail in October and November of 2018, that were not replicated during the same period in 2019.

Meanwhile, Shipping and Packages revenue increased by \$146 million, or 2.3 percent, despite a volume decline of 84 million pieces, or 4.6 percent, compared to the same quarter last year.

"We demonstrated once again the power of our unrivaled network and our ability to provide solutions for our customers while growing package volumes during our peak period. Package revenue for the quarter grew by \$146 million. However, overall volumes and mail revenues for the quarter were down, and we continue to face systemic profitability challenges due to our restrictive business model and mandated costs," said Postmaster General and CEO Megan J. Brennan. "We will continue to aggressively pursue opportunities to generate profitable revenues and drive greater operational efficiencies under our current structure, while also seeking legislative and regulatory reforms to allow the Postal Service to better invest in our business, compete for customers, control our costs and serve the evolving needs of the public."

For the first quarter of fiscal year 2020, total work hours declined, compensation and benefits expense declined by \$190 million, and total expenses were down approximately \$1.1 billion. However, excluding non-cash fair value adjustments to the workers' compensation liability, total expenses were essentially flat compared to the first quarter of fiscal year 2019.

"While many of our network costs are fixed to meet our universal service obligations, we continue to aggressively manage operating expenditures under management's control," said Chief Financial Officer and Executive Vice President Joseph Corbett. "The Postal Service reduced work hours by 6.4 million relative to the same quarter last year, helping us to reduce overall compensation expenses."

The net loss for the quarter totaled \$748 million, a decrease in net loss of \$789 million, compared to a net loss of \$1.5 billion for the same quarter last year. Controllable loss for the quarter was \$387 million, compared to a controllable loss of \$103 million for the same quarter last year.

## First Quarter Fiscal 2020 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 December 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	\$ 6,472	\$ 6,640	14,318	14,889
Marketing Mail	4,411	4,665	20,302	22,044
Shipping and Packages	6,606	6,460	1,737	1,821
International	704	713	240	260
Periodicals	287	311	1,110	1,198
Other	871	922	94	90
<b>Total operating revenue and volume</b>	<b>\$ 19,351</b>	<b>\$ 19,711</b>	<b>37,801</b>	<b>40,302</b>

## Selected First Quarter Fiscal 2020 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 December 31, 2019, and 2018:

	2019	2018
<i>(results in \$ millions)</i>		
<b>Operating revenue</b>	<b>\$ 19,351</b>	<b>\$ 19,711</b>
Other revenue	3	6
<b>Total revenue</b>	<b>\$ 19,354</b>	<b>\$ 19,717</b>
<b>Total operating expenses</b>	<b>\$ 20,079</b>	<b>\$ 21,226</b>
Interest and investment income (expense), net	(23)	(28)
<b>Net loss</b>	<b>\$ (748)</b>	<b>\$ (1,537)</b>
PSRHBF unfunded liability amortization expense <sup>1</sup>	225	275
Change in workers' compensation liability resulting from fluctuations in discount rates	(543)	505
Other change in workers' compensation liability <sup>2</sup>	10	55
CSRS unfunded liability amortization expense <sup>3</sup>	404	360
FERS unfunded liability amortization expense <sup>4</sup>	265	239
<b>Controllable loss</b>	<b>\$ (387)</b>	<b>\$ (103)</b>
<sup>1</sup> Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices. <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 year, as calculated 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 year, as calculated by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.		

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 5:30 p.m. ET on February 6, 2020, and is open to news media and all other interested parties.

**How to Participate:**

US/Canada Attendee Dial-in: 844-340-4622      Conference ID: 3738718

Attendee Direct URL: <https://usps.webex.com/usps/onstage/g.php?MTID=e784cc54f36f90b61f20f0cf0ec39f41f>

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

Event Number: 825 198 437

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.