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Sent: Wednesday, February 04, 2009 12:57 PM
To: undisclosed-recipients
Subject: Link EXTRA -- Feb. 4, 2009



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USPS RELEASES FIRST QUARTER FINANCIAL REPORT

The Postal Service ended its first quarter with a net loss of \$384 million as the economic recession contributed to a 5.2 billion piece mail volume decline compared to the same period last year. The 9.3 percent volume drop marked the eighth consecutive quarter of accelerating volume declines. With no economic recovery expected for the remainder of FY 2009, the Postal Service projects volume for the year will be down by 12-15 billion pieces.

The final first quarter results will be published later this month. The preliminary results, released during today's Board of Governors meeting, include operating revenue of \$19.1 billion, a decrease of \$1.3 billion, or 6.3 percent, compared to the same period last year and operating expenses of \$19.5 billion, a reduction of approximately \$200 million, or 1.1 percent, from the first quarter of last year. Lower energy prices in the first quarter were offset by cost-of-living adjustments which are part of the national collective bargaining agreements.

Most of the decrease in mail volume is attributable to the worsening recession which has adversely affected all classes of domestic mail. First-Class Mail volume decreased by 1.8 billion pieces and Standard Mail volume was down 3 billion pieces in the first quarter.

If current revenue and volume trends continue, the Postal Service could experience a year-end net loss significantly higher than last year's \$2.8 billion loss. The Postal Service is a reflection of the economy in general. Retail sales, employment and investment spending are all significant indicators of mail demand. All three of these indicators are projected to decrease significantly in 2009.

"We are taking bold steps to cut costs immediately," PMG Jack Potter told the Governors. "At the same time, we are examining, realigning and streamlining our business to address longer term financial pressures while continuing to provide high levels of service to the American public."

These steps include:

- Eliminating \$5.9 billion in costs through fiscal year 2010, including a reduction of 100 million workhours this year, doubling last year's efforts. In quarter one, almost 27 million workhours were reduced compared to the same period last year. Other cost-containment efforts include freezing the salaries of all Postal Service officers and executives at 2008 pay levels, reducing travel budgets and halting all construction of new postal facilities.
- Requesting Congress to provide legislative assistance by adjusting a portion of the payment requirements of more than \$7 billion a year for retiree health benefits (no tax subsidy is requested) and by providing the Board with the authority to adjust the number of delivery days if necessary based on mail volume.
- Working with the National Association of Letter Carriers to implement a new process to evaluate and adjust delivery routes to help achieve workhour reduction targets.
- Maximizing operational efficiency by pursuing efforts to consolidate some excess capacity in mail processing and transportation networks while protecting service.
- Reducing employee complement through attrition and voluntary early retirement. The number of career employees at the end of the first quarter was down by 24,240 compared to the same time a year ago.

- Introducing new products and offering price and volume incentives to consumers and businesses. Last year's creation of a new Mailing and Shipping Service division is also helping bring new products to market more quickly and effectively.

"The Postal Service is an important public service and a vital economic engine," Potter assured the Board. "We are focused on identifying and implementing strategic solutions to ensure the Postal Service continues to deliver for Americans today and for future generations."

In other action, the Board voted today to give the Postal Service the authority to engage in long-term borrowing. The action will provide the Postal Service with added flexibility in its debt management.