



# POSTAL NEWS

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## **USPS REPORTS STRONG '04; ISSUES CAUTIONARY NOTE**

Washington – The U.S. Postal Service today reported it achieved a surplus for a second consecutive fiscal year, but the news was tempered by comments that marketplace forces are changing the character of the mail and could threaten postal financial viability in future years.

For the fiscal year that ended September 30, 2004, the Postal Service had a net income of \$3.1 billion on revenues of \$69 billion.

“We achieved our business goals in 2004 to improve service, reduce costs and continue to build our business,” said Postmaster General John E. Potter at the Postal Service’s Board of Governors year-end meeting.

Expenses were \$900 million better than forecast and debt was reduced to \$1.8 billion, down from a high of \$11 billion two years ago.

“These results,” said Potter, “underscore our promise to the American people to keep rates stable until 2006.”

In his presentation to the Board, Chief Financial Officer Richard J. Strasser, Jr., said total revenue reached \$69 billion, an increase of \$265 million over last year. First-Class Mail brought in revenue of \$36.4 billion, Standard Mail \$18.1 billion and other products and services \$14.5 billion.

Total mail volume rose nearly 4 billion pieces to 206 billion, mostly in Standard Mail, First-Class Mail declined by 1.1 billion pieces, for a third straight year of decline.

The number of nationwide delivery addresses continued to grow rising 1.8 million to 142.3 million; expenses totaled \$65.9 billion including \$52 billion for personnel, \$5 billion for transportation and \$9 billion for supplies, services, depreciation and other costs.

Strasser also cited other significant operating achievements by the Postal Service this year. “For the fifth consecutive year, we have increased productivity. Further, we reduced work hours by 21 million.”

Strasser said “Despite this success, for the first time in history, in 2005 First-Class Mail is projected to fall below Standard Mail as the largest volume product. This shift in mail mix to lower revenue-per-piece mail classes will result in shrinking margins which are used to maintain

universal service.” Standard Mail competes for advertising expenditures and is more susceptible to volatility of business cycles, noted Strasser.

“The Postal Service has continued to focus on its five year Transformation Plan goal of removing \$5 billion in costs. In FY 2004 we achieved another \$1.5 billion in savings. To date, we’ve saved \$4.3 billion against the five-year goal,” he added.

Potter noted that the Postal Service will continue to pursue its Transformation Plan strategies, leveraging resources to build the business.

“While these strategies have resulted in historic productivity levels and cost savings over the last few years, we must recognize that additional efforts to take costs out of the system will require fundamental structural changes,” Potter said.

The Postal Service Transformation Plan includes strategies for taking cost out of the business while improving efficiency. The plan embraces fundamental long-term transformation to include changes in postal business and operations that will affect customers and employees. This transformation will help the Postal Service secure a future for universal mail service at affordable rates and give it the tools to protect regular mail and ensure a sound national system well into the future. It is located at [www.usps.com/strategicplanning](http://www.usps.com/strategicplanning) .

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Since 1775, the U.S. Postal Service has connected friends, families, neighbors and businesses by mail.

It is an independent federal agency that visits 142 million homes and businesses every day and is the only service provider delivering to every address in the nation. The Postal Service receives no taxpayer dollars for routine operations, but derives its operating revenues solely from the sale of postage, products and services. With annual revenues of more than \$69 billion, it is the world’s leading provider of mailing and delivery services, offering some of the most affordable postage rates in the world. The U.S. Postal

Service delivers more than 46 percent of the world’s mail volume—some 206 billion letters, advertisements, periodicals and packages a year—and serves seven million customers each day at its 40,000 retail locations nationwide.