



# POSTAL NEWS

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## **USPS ENDS YEAR IN BLACK AND DEBT FREE;** **ESCROW FUND LOOMS**

Washington, D.C. -- The U.S. Postal Service reported today it concluded fiscal 2005 with a net income of \$1.4 billion on record revenues of \$70 billion and record volume of 212 billion pieces of mail.

"Financially, we are in the best position we've been since the 1970s," said Postmaster General John E. Potter at the December meeting of the Board of Governors. "Despite the strong financial and productivity records of recent years, we are facing a modest increase in postage rates in January."

The January 8, 2006 rate increase was compelled by legislation enacted in 2003 requiring the Postal Service to put aside over \$3 billion each year into escrow beginning in 2006. Efforts to change the escrow requirement have been stalled in Congress. Without the escrow requirement, postage rates most likely would have remained at current levels until 2007.

Postage rates have remained stable since 2002, a direct result of three straight years of operating surpluses. The cash generated from the surpluses have been used to reduce the Postal Service's once \$11 billion in debt to zero.

"We kept our focus on the customer for the past four years," said Potter. "It has paid off in record revenues, record volumes, and positive customer satisfaction ratings."

In 2005, mail volume increased 5.6 billion pieces to 212 billion. Standard Mail, which American businesses rely on to reach consumers, outpaced First-Class Mail for the first time in history with 101 billion pieces of Standard Mail compared to 98 billion in First-Class Mail. First-Class Mail grew slightly in 2005 after three years of decline.

"The increase in mail volume demonstrates that American businesses recognize that hard copy mail works and has a bright future," said Potter.

Although today's postal financial news is positive, Potter cautioned that the forecast for 2006 projects a surplus from operations, but coupled with an anticipated escrow requirement of \$3.1 billion, the Postal Service will likely have a net deficiency approaching \$2 billion.

Since Potter became Postmaster General in 2001, the Postal Service has reduced costs by a cumulative \$15 billion. "Our postal team is moving more mail, going to more places, and

doing it with less people," Potter said. In September, he unveiled plans to continue to reduce costs, pledging to take another \$5 billion out of the Postal Service by 2010.

Potter said further the Harrisburg mail processing facility will be dedicated in memory of the late Postal Gov. LeGree Daniels. Ms. Daniels, who served on the Board of Governors since 1990, passed away November 19.

Potter noted, "In honor of her contributions to the Postal Service over the past 15 years, and a lifetime of public service to the American people, I am designating the mail processing plant in Harrisburg, Pennsylvania – her home town for the past 54 years -- as the LeGree Daniels Mail Processing Facility." A ceremony officially marking the dedication will occur in the near future.

Potter also acknowledged the service of Governor Robert F. Rider of Delaware, who attended his last meeting because his term has expired. Rider, a businessman, was first appointed a Governor of the U.S. Postal Service in May 1995. He has served as Chairman of the Board, as Vice Chairman of the Board and as Chairman of the Audit and Finance Committee. Rider is the Chairman and Chief Executive Officer of O. A. Newton & Son Company, with diversified divisions in agriculture and design/manufacturing of materials handling equipment.

In other business, the Board approved \$54.9 million in capital funding for the final phase of a comprehensive effort to upgrade the Postal Service's existing mail-processing data networks.

In seeking approval, Charles E. Bravo, senior vice president, Intelligent Mail and Address Quality, said the upgrade will provide a reliable and supportable high-speed infrastructure that is easier to maintain.

"The state-of-the-art computer wiring is flexible and scalable," said Bravo, "and simplifies the addition and relocation of mail-processing equipment."

Since 1775, the Postal Service and its predecessor, the Post Office Department, has connected friends, families, neighbors and businesses by mail. It is an independent federal agency that visits 144 million homes and businesses every day, six days a week 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 Postal Service delivers more than half of the world's mail volume - some 212 billion letters, advertisements, periodicals and packages a year - and serves seven and a half million customers each day at its 37,000 retail locations nationwide. Its website, [usps.com](http://usps.com), attracts more than 21 million visitors each month.