



POSTAL NEWS

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Board of Governors Approves Aggressive 2008 Financial Plan

WASHINGTON, DC — The Postal Service Board of Governors today approved an aggressive 2008 financial plan for the U.S. Postal Service that includes \$1 billion in cost savings and puts its expense growth lower than inflation.

The Postal Service's operating, capital and financing plans for the new fiscal year, known as the Integrated Financial Plan (IFP), project expense growth below the assumed increase in the Consumer Price Index (CPI), the most commonly used benchmark for inflation.

Those projections do not assume any price changes for postal products and services over the next fiscal year, which begins Oct. 1. The Board of Governors has not made a decision on future prices but applauded the Postal Regulatory Commission for being well ahead of schedule with its recommendations on the new rate regulations.

The IFP projects revenue of \$78.2 billion and expenses of \$78.8 billion in fiscal 2008, for a net loss of \$600 million. The financial plan is significantly affected by the Postal Accountability and Enhancement Act (the Postal Act of 2006), as are finances in the current fiscal year.

2007 — One-time Costs

For fiscal 2007, the Postal Service projects revenues of \$75.0 billion and expenses of \$80.4 billion for a projected net loss of \$5.4 billion. The net loss of \$5.4 billion includes operating income of \$1.5 billion and a \$6.9 billion negative financial impact from the Postal Act of 2006 — which includes a \$3.0 billion one-time escrow expense, which was required under the previous law, an additional \$5.4 billion payment into the Retiree Health Benefit Fund for 2007, and \$1.5 billion in savings from the Civil Service Retirement System (CSRS) relief.

“Absent the negative financial impacts from the Postal Act of 2006, the Postal Service projects operating income of \$1.5 billion this year and \$400 million next year,” said H. Glen Walker, Chief Financial Officer.

2008 — Expense Growth Below Inflation

Total expenses for fiscal 2008 are planned at \$78.8 billion, or 2.0 percent below projected fiscal 2007 expenses. Even after excluding the \$3.0 billion in one-time escrow expenses from 2007, expense growth in fiscal 2008 is projected at 1.8 percent, below the assumed growth in the CPI.

The 2008 plan predicts a record ninth consecutive year of Total Factor Productivity growth, which measures the relationship between workload and resource usage. TFP is planned to grow by 1.0 percent in 2008.

Other Business

The board also authorized funding of \$107.2 million for site lease, design and construction of a new 478,800 square-foot mail processing facility in Miami, FL, to consolidate bundle and parcel processing for South Florida. That facility will house five flat sequencing sorters in support of the new Flats Sequencing System (FSS) program being implemented nationwide; each machine requires 25,000 square feet. South Florida is currently served by three processing and distribution centers, along with other leased processing space to reduce congestion at existing plants.

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An independent federal agency, the U.S. Postal Service is the only delivery service that visits every address in the nation, 146 million homes and businesses, six days a week. It has 37,000 retail locations and relies on the sale of postage, products and services to pay for operating expenses, not tax dollars. The Postal Service has annual revenues of \$75 billion and delivers nearly half the world's mail.