



POSTAL NEWS

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Postal Service Reports Second Quarter Loss; Economic Slowdown Cited

National On-Time Performance Continues at Record Levels

WASHINGTON, DC — Despite cost-cutting measures, the U.S. Postal Service ended the second quarter with a net loss of \$707 million, driven by a continued decline in mail volume resulting from the current national economic climate. Meanwhile, the on-time delivery of First-Class Mail continued at record levels in the second quarter.

The second quarter results were presented during today's meeting of the Postal Service Board of Governors. For the first six months of the fiscal year, the Postal Service has essentially broken even, reporting a net loss of \$35 million on revenue of \$39.3 billion.

Mail volume for the quarter ending March 31 totaled 51.3 billion pieces, a 3.3 percent drop from the previous second quarter. First-Class Mail volume decreased by 3.1 percent and Standard Mail volume was down 3 percent.

Year-to-date total mail volume is down by 3.1 percent compared to the same period last year. If the trend continues, this will be only the seventh year total mail volume has decreased in the last 50 years and could be the largest decline since 2002.

Revenue was \$18.9 billion in the second quarter, an increase of \$584 million, or 3.2 percent, over the same period last year reflecting last year's price adjustments, but well below expectations. Expenses in the second quarter totaled \$19.6 billion, an increase of \$52 million, or 0.3 percent, from the previous year. The slight increase was driven by an increase in transportation expenses, particularly fuel costs.

"Weakness in the housing and credit markets, both of which are heavy users of mail, are leading the declines in mail volume," Postmaster General John Potter told the Board. "While mail volume may rebound with the economy, it is clear we need to accelerate our efforts to seek new structural and process changes to remain economically viable and to further improve customer service."

One such change, made possible by the Postal Act of 2006, gives the Postal Service new pricing flexibility to better serve its customers. "Next week, for the first time ever, we'll begin offering price incentives for Express Mail and Priority Mail, enabling us to better compete for package business," Potter said.

The Postal Service also continues to focus on reducing costs and increasing efficiency. For example, workhours have been reduced by more than 18 million in the first two quarters of the year compared to similar periods in 2007.

Second Quarter Service Scores

In other action, Postal Service Consumer Advocate Delores Killete told the Board national on-time performance scores for the delivery of First-Class Mail continued at record levels in the second quarter. National overnight service was 96 percent on-time, a record high for four quarters in a row. Two-day service was 94 percent and three-day service was 92 percent on-time. All these scores are the highest ever achieved in quarter two.

First-Class Mail performance is measured independently by IBM Global Business Services. The process measures First-Class Mail from the time it is deposited into a collection box until it is delivered to a home or business.

Other Action:

Also during today's meeting, the Board authorized funding to construct a 715,743 square-foot processing and distribution center on a previously acquired site in Richmond, VA. The Board also voted to have the Postal Service enter into a new ten-year lease for the New York International Service Center/John F. Kennedy Air Mail Center, located on the JFK Airport site.

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An independent federal agency, the U.S. Postal Service is the only delivery service that reaches 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, not tax dollars, to pay for operating expenses. The Postal Service has annual revenue of \$75 billion and delivers nearly half the world's mail.