



POSTAL NEWS

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Economy-Driven Mail Volume Decline Contributes to Postal Service \$2.8 Billion Year-End Loss *FY 2008 Marked by Record On-Time Mail Delivery*

WASHINGTON, DC — The U.S. Postal Service concluded the 2008 fiscal year (Oct. 1, 2007-Sept. 30, 2008) with a net loss of \$2.8 billion as the national economic slowdown lowered mail volume and as the Postal Service bore additional costs mandated by the Postal Act of 2006. The loss occurred despite more than \$2 billion in cost-cutting measures that included the use of 50 million fewer workhours compared to the previous year. The Postal Service continued to improve national on-time First-Class Mail delivery performance, reaching record highs in FY 2008.

Mail volume in FY 2008 totaled 202.7 billion pieces, a decline of 9.5 billion pieces, or 4.5 percent, compared to the previous fiscal year. Declining mail volume was a symptom of the worsening national economy, particularly related to the financial and housing industries and to trends toward the use of electronic mail.

Total revenue in FY 2008 was \$75 billion, unchanged from last year. Expenses totaled \$77.8 billion, including the \$5.6 billion payment required by the Postal Act of 2006 to pre-fund retiree health benefits. Excluding all the retiree health benefit fund payments from 2008 and 2007, expenses were up less than 1 percent over last year. Cost reductions offset nearly all of the impact from rising inflation, of which the major contributors were a \$562 million increase in cost of living adjustments paid to craft employees and \$525 million in additional fuel costs.

Financial Outlook

"We expect the new fiscal year to be another difficult one for the Postal Service and the entire mailing industry, as economic factors will continue to reduce mail volume and increase expenses," Postmaster General John Potter told the Postal Service Board of Governors at today's meeting. "As we continue to reduce workhours and other costs, our top priority remains providing excellent service to our customers. The combination of excellent service and affordable prices makes Postal products a great value."

In addition to the weak or contracting economy and the diversion of mail to electronic means, the pre-funding of retiree health benefits continues to have a significant impact on Postal Service finances. "The Board will work with members of Congress to ease some of the financial pressure we are currently facing from the Postal Act," Board Chairman Alan Kessler announced at today's meeting. "Legislative relief is only part of the solution to the problems facing the Postal Service. The Board and management will actively pursue the actions necessary to further reduce costs and grow revenue," Kessler added.

Fourth Quarter Service Performance

In the fourth quarter of FY 2008, on-time delivery performance for overnight First-Class Mail service remained at 97 percent for the second consecutive quarter, one point above the same period last year. Two-day service was 94 percent on-time and three-day service was 93 percent on-time, unchanged from the fourth quarter of the previous year.

With the beginning of the new fiscal year, the Postal Service has implemented new service standards and has expanded the geography and classes of mail for which service is measured in 2009. The first reporting of the new service standards scores will occur early next year following the conclusion of the first quarter of FY 2009.

Other Board Action

In other action from today's meeting, the Board approved the Postal Service FY 2008 Annual Report. The report will be available on usps.com in December.

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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.