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FIRST-CLASS MAIL VOLUME CONTINUES TO DECLINE, AFFECTING REVENUE

WASHINGTON, D.C. – Revenues in Quarter III continued to fall below plan due to stagnant mail volumes, Chief Financial Officer and Executive Vice President Richard Strasser told the Postal Service Board of Governors today at its regular monthly meeting.

Revenue for Quarter III was $483 million below plan at $16.048 billion. Expenses were $15.824 billion, $370 million under plan. Net income for the quarter was $224 million, $112 million under plan. "The revenue shortfall to plan was greater than our ability to offset through increased expense reductions," noted Strasser.

Year-to-date figures show revenues at $48.8 billion, $1.07 billion under plan, while expenses were $1.44 billion under plan at $46.9 billion, leaving a net income of $1.879 billion, $373 million over plan.

The financial performance does not include the effects of the recently enacted Postal Civil Service Retirement System (CSRS) Funding Reform Act of 2003. When included, Strasser said, "The net income through Quarter III is $4.5 billion, of which at least $3.5 billion must be used to pay down debt, according to the law."

The reason for the lack of revenue growth was evident from mail volume figures. For the second quarter in a row there was no total mail volume growth. First-Class Mail volume suffered a 2.4 percent decline, down 566 million pieces from last year. While Standard Mail increased by 3.2 percent, it was less than the 3.5 percent growth forecast.

"The Postal Service continues to hold the line on expenses through rigorously matching workhours to workload," Strasser said. Cumulative workhour reductions for the year have totaled 43 million. Career employee complement has been reduced by over 16,000 positions to 736,000.

In his outlook for the end of the fiscal year, Strasser projected that revenues and volumes would not meet plan. With stringent expense reductions, net income for the year, excluding the effect of the CSRS funding change, would be over the planned $600 million, he said.

In other business, the Board approved funding for the Sales Support Solution, a sales tracking system that integrates several existing sales management systems into one.

The Board also announced that it had approved the Postal Rate Commission's recommended decision to implement the three-year experimental Negotiated Service Agreement with Capital One Services, Inc. The agreement includes discounts for Capital One if its First-Class Mail volume exceeds 1.225 billion pieces annually.

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