UNITED STATES POSTAL SERVICE

POSTAL NEWS

FOR IMMEDIATE RELEASE
May 2, 2007

Contact: David Partenheimer
202-268-8567
david.a.partenheimer@usps.gov
Release No. 07-36

GOVERNORS ACCEPT PRC'S REVISED RATE RECOMMENDATIONS

Flat-Rate Box Price Lowered

WASHINGTON, D.C. — The Governors of the Postal Service announced today they accepted the decision of the Postal Regulatory Commission (PRC) to modify two of its earlier rate case recommendations: lowering the price of the Priority Mail Flat-Rate Box to $8.95 and extending the nonmachinable surcharge (which encourages mailing efficiencies) to all single piece and presorted First-Class Mail letters, regardless of weight.

Still pending is the Governors' request that the PRC reconsider its decision relating to Standard Mail flats. No date has been announced for that decision. All new rates are scheduled to go into effect May 14, except those for Periodicals (magazines and newspapers), which are scheduled to go into effect July 15.

Also during today's meeting of the agency's Board of Governors, Chief Financial Officer H. Glen Walker reported that a $925 million net loss was recorded during the second quarter of the fiscal year (Jan. 1 – March 31) due largely to expenses relating to the implementation of the Postal Accountability and Enhancement Act, signed into law on Dec. 20, 2006.

Revenue for the second quarter totaled $18.5 billion, a decrease of 0.8 percent from the same period last year. The decrease was driven by a 0.6 percent decrease in mail volume for the second quarter. Expenses totaled $19.4 billion; an increase of $1.6 billion, or 9.2 percent, over last year's second quarter expenses. The largest contributor to the expense increase was $1.35 billion for the funding of retiree health benefits required by the new postal law.

Walker said he was encouraged that total factor productivity (TFP) continued its upward trend in the second quarter, increasing 0.6 percent above the same quarter last year. TFP measures the relationship between workload and resource usage.

In a related financial matter, the Board approved an addendum to the Postal Service Fiscal Year 2007 Integrated Financial Plan. The addendum incorporates the expected financial impacts from the new law on the FY 2007 financial statements. The revised plan provides for a net loss in FY 2007 of $5.2 billion and a year-end outstanding debt of $3.9 billion. No changes were made to the plan other than reflecting the financial impact of the new law.

The Board of Governors today also approved funding to purchase additional Delivery Bar Code Sorter equipment for sorting letter mail in the sequence in which carriers deliver it. The purchase consists of 110 new machines as well as 394 stacker modules for existing Delivery Bar Code Sorters. These Delivery Bar Code Sorters will reduce the manual sorting of letter mail required today for new addresses that have been established since the last Delivery Bar Code Sorter equipment deployments were completed.

###