



POSTAL NEWS

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Postal Service Governors Decide Future Pricing to Follow New Regulations *FY 2007 Marked by Record Service and Productivity, Smaller Than Expected Loss*

WASHINGTON, DC — The Postal Service Governors announced today future prices will be adjusted using new regulations issued by the Postal Regulatory Commission (PRC) on Oct. 29. Consistent with the Postal Accountability and Enhancement Act of 2006, future price increases will be capped at the rate of inflation for mailing services.*

The Governors had the option of filing one last rate case under the regulations used since 1971 but voted to proceed with the new pricing regulations.

"We thank the Postal Regulatory Commission for completing the new rules eight months ahead of the statutory deadline," said Postmaster General John E. Potter. "This delivers one of the main goals of the new law for business mailers— a predictable price schedule."

The new pricing regulations give the Postal Service added flexibility for shipping services.** "We intend to use this new flexibility to grow our competitive business," said Potter, "offering volume discounts and contract pricing."

"There are still many details to be worked out, but we look forward to partnering with the PRC and our customers to maximize the advantages of the new pricing rules," Potter said.

Fiscal Year 2007 Results

The Postal Service also announced its financial results for Fiscal Year 2007, which ended Sept. 30. The Postal Service concluded the fiscal year with a \$5.1 billion net loss, attributable to mandatory funding requirements in the Postal Act of 2006 (see chart). The year-end loss is about \$300 million less than projected earlier in the year.

"It's important to note that we not only achieved our plan, which had to be adjusted to reflect the new law, but we overcame a slow start and did better than our mid-year projection," said Potter. Without the financial impacts of the law, the Postal Service would have ended the year with net income of \$1.6 billion.

Total revenue in FY 2007 was \$74.9 billion and expenses totaled approximately \$80 billion. Mail volume was 212 billion pieces.

The Postal Service recorded an eighth consecutive year of productivity growth in fiscal 2007. Total Factor Productivity, which measures the relationship between workload and resource usage, was up 1.7 percent over FY 2006. Productivity was aided by a reduction of 36 million work hours, which is equivalent to \$1.2 billion.

Record On-Time Performance

National on-time performance scores for the delivery of First-Class Mail hit all-time highs in the fourth quarter of FY 2007 for all three categories the Postal Service tracks. National overnight performance was 96 percent on-time in the final quarter —a first for the last quarter and for two consecutive quarters.

National two-day and three-day performance also hit all-time highs of 94 percent and 93 percent respectively.

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.

*Mailing services include First-Class Mail, Standard Mail and Periodicals.

**Shipping services include bulk parcels and expedited package services such as Priority Mail and Express Mail.

USPS FINANCES UNDER POSTAL ACT OF 2006

	FY 2007
Income before legislative impacts	+ \$1.6
PL 109-435 impacts:	
▪ 2006 escrow transferred into PSRHBF	- \$3.0
▪ 2007 PSRHBF expense	- \$5.4
▪ CSRS savings	+ \$1.6
Net loss *	- \$5.1
(\$ in billions)	

* Numbers may not add due to rounding

Summary:

Income before the effects of the new law in FY 2007 totaled \$1.6 billion. The Postal Accountability and Enhancement Act of 2006 eliminated the escrow previously required under Public Law 108-18 and reduced USPS payments into the Civil Service Retirement System (CSRS). The \$3 billion in cash – that the Postal Service placed in a federally mandated escrow account in FY 2006 – was designated to fund retiree health benefits. Generally Accepted Accounting Principles (GAAP) dictate that the \$3 billion be reported as an expense in the quarter in which the law was enacted, which was the first quarter of 2007. For FY 2007, the new law mandated an additional \$5.4 billion to be placed in the newly created Postal Service Retiree Health Benefits Fund (PSRHBF) and eliminated \$1.6 billion in CSRS payments. The net loss was \$5.1 billion.

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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.