



POSTAL NEWS

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Postal Service Achieves Positive Net Income Despite Volume Drop

Adjusts to Changing Economy, Focuses on Revenue Growth

WASHINGTON, DC — The U.S. Postal Service ended the first quarter of fiscal 2008 with net income of \$672 million on revenue of \$20.4 billion, according to preliminary financial results released Jan. 30.

Total revenue for the quarter ending Dec. 31 was up 3.5 percent over the same period last year primarily due to the May price change. The price increase masked weak volume for the quarter. Total mail volume declined 3 percent; First-Class Mail was particularly affected, declining by 3.9 percent.

“The economic downturn was the main factor for the volume decline, as the hard-hit financial and housing sectors are heavy users of the mail,” said Postmaster General John Potter. “I’m proud our managers and employees adjusted quickly to these changing market conditions, making a positive quarterly net income possible. Not only did they help us tighten our belt, but they provided record levels of service.”

Total expenses were \$19.7 billion, versus 22.7 billion for the same period last year. The \$3.0 billion difference was due to the one-time expense of funding retiree health benefits required in quarter one 2007 by the Postal Accountability and Enhancement Act of 2006. Excluding the one-time cost, expenses remained constant, despite rising fuel and labor costs. This was accomplished while serving an additional 1.7 million new addresses versus the same period last year.

“Because mail volume for the rest of the year is uncertain, we’ll continue to streamline operations to manage expenses and improve on-time delivery to provide even greater value to the American people,” said Potter. “We also intend to take full advantage of the pricing flexibility afforded by the new law, work with customers to better meet their needs, and find new ways to grow revenue.”

Note: 2007 quarterly results are being revised to make them comparable with 2008 results and bring them fully in accordance with SEC financial reporting requirements, as mandated by the Postal Act of 2006. These revisions changed the timing of some revenues and expenses within the year, without affecting the annual result. The revisions increased the 2007 first-quarter loss to \$3.0 billion, up from the \$2.7 billion loss reported last year. There also will be revisions to second- and third-quarter 2007 results. The annual net loss of \$5.1 billion for 2007 is not affected.

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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. 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.