



POSTAL NEWS

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Postal Service Ends First Quarter with \$384 Million Loss *Board of Governors Focuses on Actions to Ensure Long-Term Viability of Nation's Mail System*

WASHINGTON — The U.S. Postal Service ended its first quarter (Oct. 1 – Dec. 31) with a net loss of \$384 million as the economic recession contributed to a 5.2 billion piece mail volume decline compared to the same period last year. The 9.3 percent volume drop marked the eighth consecutive quarter of accelerating volume declines. With no economic recovery expected for the remainder of FY 2009, the Postal Service projects volume for the year will be down by 12-15 billion pieces.

The final first quarter results will be published later this month. The preliminary results, released during today's Board of Governors meeting, include operating revenue of \$19.1 billion, a decrease of \$1.3 billion, or 6.3 percent, compared to the same period last year, and operating expenses of \$19.5 billion, a reduction of approximately \$200 million, or 1.1 percent, from the first quarter of last year. While lower energy prices in the first quarter offered some relief, there was expense pressure from record high cost-of-living adjustments that are part of the national collective bargaining agreements.

Most of the decrease in mail volume is attributable to the worsening recession, which has adversely affected all classes of domestic mail. First-Class Mail volume decreased by 1.8 billion pieces and Standard Mail volume was down 3.0 billion pieces in the first quarter.

If current revenue and volume trends continue, the Postal Service could experience a year-end net loss significantly higher than last year's \$2.8 billion loss. The Postal Service is a reflection of the economy in general. Retail sales, employment and investment spending are all significant indicators of mail demand. All three of these indicators are projected to decrease significantly in 2009.

"We are taking bold steps to cut costs immediately. At the same time, we are examining, realigning and streamlining our business to address longer-term financial pressures while continuing to provide high levels of service to the America public," Postmaster General John Potter told the Governors. These steps include:

- Eliminating \$5.9 billion in costs through fiscal year 2010, including the reduction of 100 million workhours this year, doubling last year's efforts. In quarter one, almost 27 million workhours were reduced compared to the same period last year. Other cost-containment efforts include freezing the salaries of all Postal Service officers and executives at 2008 pay levels, reducing travel budgets, and halting all construction of new postal facilities.
- Requesting Congress to provide legislative assistance by adjusting a portion of the payment requirements of more than \$7 billion a year for retiree health benefits (no tax subsidy is requested) and by providing the Board with the authority to adjust the number of delivery days, if necessary, based on mail volume.
- Working with the National Association of Letter Carriers to implement a new process to evaluate and adjust delivery routes to help achieve workhour reduction targets.

- Maximizing operational efficiency by pursuing efforts to consolidate some excess capacity in mail processing and transportation networks while protecting service.
- Reducing employee complement through attrition and voluntary early retirement. The number of career employees at the end of the first quarter was down by 24,240 compared to the same time a year ago.
- Introducing new products and offering price and volume incentives to consumers and businesses. Last year's creation of a new Mailing and Shipping Service division is also helping to bring new products to market more quickly and effectively.

"The Postal Service is an important public service and a vital economic engine. We are focused on identifying and implementing strategic solutions to ensure the Postal Service continues to deliver for Americans today and for future generations," Potter assured the Board.

In other action, the Board voted today to give the Postal Service the authority to engage in long-term borrowing. The action will provide the Postal Service with added flexibility in its debt management.

Board Election

Also at today's meeting, Carolyn Lewis Gallagher was elected chairman and Louis J. Giuliano was elected vice chairman of the Board. Gallagher previously served as vice chairman and was appointed a governor by former President George W. Bush in 2004. She is the former CEO of Texwood Furniture, Inc., and has served on numerous private and public sector boards as well as on the President's Commission on the United States Postal Service. Giuliano, appointed to the Board in June 2006, is the former chairman, CEO and president of ITT Corp. and currently serves on the board of the John Manely Company and is a senior advisor to The Carlyle Group.

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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.