

Nov. 15, 2013

USPS loses \$5 billion in fiscal year 2013

Revenue growth, record productivity can't offset operating losses

USPS ended fiscal year (FY) 2013 with a net loss of \$5 billion, marking the seventh consecutive year in which the Postal Service incurred a net loss.

Even though the Postal Service has implemented a number of strategies that resulted in \$15 billion in annual expense reductions since the Postal Accountability and Enhancement Act was passed in 2006, the combination of onerous mandates in existing law and continued declines in First-Class Mail volume threatens the Postal Service's financial viability.

"We've achieved some excellent results for the year in terms of innovations, revenue gains and cost reductions, but without major legislative changes we cannot overcome the limitations of our inflexible business model," said PMG Pat Donahoe. "Congress is moving forward with legislation that has the potential to give us greater flexibility and put us back on a firm financial footing. We strongly encourage that they continue moving forward."

The legislative requirements put forward by the Postal Service, as outlined in the [Five-Year Business Plan](#), include:

- Restructuring the Postal Service health care plan.
- Refunding Federal Employees Retirement System (FERS) overpayment and lowering future FERS payment amounts to those required.
- Adjusting delivery frequency to six-day packages/five-day mail.
- Streamlining the governance model (eliminate duplicative oversight).
- Providing the authority to expand products and services.
- Requiring a defined contribution retirement system for future Postal Service employees.
- Requiring arbitrators to consider the Postal Service's financial condition.
- Reforming Workers' Compensation.

Highlights of yearly Operations results compared to the same period last year include:

- Total mail volume was 158.4 billion pieces compared to 159.8 billion pieces a year ago. Package and Standard Mail volumes grew by 210 million pieces and 1.4 billion pieces, respectively, while the most profitable product, First-Class Mail, fell by 2.8 billion pieces.
- Operating revenue, excluding a \$1.3 billion non-cash change in an accounting estimate, was \$66 billion compared to \$65.2 billion in 2012.
- Operating expenses were \$72.1 billion in 2013 compared to \$81 billion in 2012, with approximately \$8.2 billion of the decrease resulting from higher, legally mandated retiree health care benefit expenses and higher non-cash Workers' Compensation expense in 2012.

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USPS continues to grow its Package Services business, showing a revenue increase from 2012 to 2013 of \$923 million, or 8 percent, on a volume increase of 210 million pieces (6 percent). By developing innovative services to appeal to the growing parcel delivery market, USPS grew Shipping and Package Services revenue to \$12.5 billion, representing approximately 19 percent of revenues.

The growth in revenue from these products is not enough to offset the long-term loss in revenue and volume of the most profitable USPS service, First-Class Mail, which dropped in revenue by \$704 million or 2.4 percent, in 2013. First-Class Mail volume declined 2.8 billion pieces (4.1 percent).

Work hours in 2013 decreased by 12 million or 1.1 percent, despite an increase of approximately 774,000 delivery points during 2013.

USPS reached its statutory debt ceiling of \$15 billion for the first time at the end of FY 2012, and it remains at the limit at the end of this fiscal year.

Chief Financial Officer Joe Corbett said the Postal Service's liquidity continues to be dangerously low, and its liabilities exceed assets by approximately \$40 billion. "This underscores the need for Congress to pass legislation that improves our financial position and that gives the Postal Service a more flexible business model to improve its cash flow," said Corbett. He assured employees and suppliers that operations will continue. "Despite reaching the debt limit, Postal Service mail operations and delivery continue as usual and employees and suppliers continue to be paid on time," he said.

Complete financial results are available in the Form 10-K at about.usps.com. Select the "Who We Are" tab, then click on "Financials."

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