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Postal Update: Proposed 5-day Week for Mail Delivery

John Potter, postmaster general and CEO of the US Postal Service, used the open session of the November 13 USPS Board of Governors meeting to press again for structural reform of the agency, insisting that real reform must reduce the number of delivery days from six to five per week.

Reform legislation also must address the “impossible demands” of the current prefunding schedule for retiree health benefits and it must give the USPS freedom to use its extensive retail network to pursue new sources of revenue, Potter said. He thanked the Obama administration and Congress for passing legislation that reduced the Postal Service’s payment to its Retiree Health Benefits Fund by \$4 billion in fiscal year 2009.

However, Potter added that the USPS needs structural reform, which requires additional legislative changes. “We must recognize the reality that the Postal Service faces this same problem in 2010 and in years to come,” he said. “We will continue to struggle to match our revenues to the costs of our expanding delivery network.”

The temporary funding relief of \$4 billion helped the Postal Service avoid its worst net loss in history for fiscal year 2009. It would have lost \$7 billion had it been required to make full payment of \$5.4 billion into the fund on September 30, the last day of its fiscal year. Even with this funding relief, the USPS is expected to report on November 16 that it lost about \$3.1 billion, its second highest loss since it was reorganized in 1970. The agency will submit a 10K report to the Postal Regulatory Commission and the Office of Management and Budget on next week, which will detail the year-end financial results for FY 2009.

Joseph Corbett, CFO of the Postal Service, said the agency had a volume decline of 26 billion pieces in 2009, the largest single-year volume loss in its history. He added that the agency implemented unprecedented cost cutting, which resulted in an additional savings of \$6 billion. Most of the cost cutting came from an aggressive reduction in work hours, or the amount of hours needed to sort, process, transport and deliver the mail. The Postal Service reduced work hours by 115 million, the equivalent of reducing the number of full-time employees by 65,000, Corbett said.

The USPS has targeted further work-hour reductions for next year of about 80 million to 90 million. It anticipates a moderating of its volume and revenue declines, but it still expects losses in both categories, Corbett said.

He added that the Postal Service tends to lag the general economy on recovery, so it does not anticipate growth until the third or fourth quarter of next year. Details about its goals and targets for the 2010 fiscal year will be revealed next week when it also releases its 2010 Integrated Financial Plan, Corbett said.

Kate Muth, DM News, November 13, 2009