



## Frequently Asked Questions about Postal Service Finances

### ***Why is the U.S. Postal Service facing financial problems?***

The Postal Service faces a serious budget challenge and must seek to increase its revenue and carefully reduce overhead expenses, but this challenge is not simply a result of an increased use of the Internet, as you might suppose. Rather, it is largely due to a burdensome 2006 Congressional mandate.

Despite the worst recession in 80 years, the Postal Service did well operationally. From FY 2007 to 2010, it had a net operational profit of \$611 million delivering the mail. But short-sighted legislation passed by Congress in 2006 has required the Postal Service to set aside tens of billions of dollars for future retiree health benefits decades in advance — something no other public agency or private company is required to do. This has cost the Postal Service more than \$32 billion since 2007, accounting for nearly 80 percent of its red ink during this period.

### ***Hasn't the Postal Service been doing poorly for years?***

No, in FY 2004, 2005 and 2006, the Postal Service ran a profit, and operating revenues remained steady in FY 2007 and 2008, with the real decline only coming on the heels of the recession. It was not until the Postal Service was required to begin mandatory payments to pre-fund retiree health care in 2007 that significant financial issues began to emerge. In the first quarter of FY 2013, USPS had a \$100 million operating profit – while first class mail volumes are falling, the Postal Service is experiencing strong growth in package delivery services.

### ***Will American taxpayers have to bail out the Postal Service?***

The Postal Service has not received any taxpayer money since 1982 and is funded entirely by the revenue it generates selling postage and services. If you listen to the Postal Service's rhetoric, you would think the only options to address USPS's financial challenges are a taxpayer "bailout" or service cuts. But there are other ways to address the Postal Service's financial problems without using taxpayer funds or dismantling the postal network.

### ***Aren't high labor costs a big problem for the Postal Service?***

USPS productivity is at an all time high. As a result, labor costs at USPS have been decreasing. In 1990, labor costs accounted for 85 percent of total costs, compared to 78 percent in 2010.

### ***Don't labor costs represent a much higher percent of the Postal Service's total expenses compared to UPS and FedEx?***

This is like comparing apples to oranges. Serving every home and business in the country is a highly labor-intensive endeavor. USPS letter carriers take mail from one address and make sure it gets to another address quickly, reliably and for the lowest postage rates in the industrialized world, regardless of whether that address is one mile or 1,000 miles away.

FedEx and UPS have lower labor costs because they perform only a tiny fraction of the daily deliveries of the Postal Service. USPS delivers six days a week to 152 million households, businesses and Post Office boxes. Private companies typically deliver only five days a week in most places and serve at most 20 million addresses a day. And when they deliver on Saturday, they charge an additional fee for that service. In fact, the Postal Service's "last-mile" delivery network is so efficient that both FedEx and UPS rely on it to reach the places across this country that their delivery trucks don't serve.