UNITED STATES POSTAL SERVICE®

POSTAL NEWS

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Contact: Joanne Veto
202-268-3118
(c) 301-325-1960
joanne.m.veto@usps.gov
usps.com/news

Statement of Postmaster General on PRC Ruling, Fully Paying Retiree Health Benefit Mandate

We are disappointed to learn that the Postal Regulatory Commission (PRC) has denied our price filing. But we are encouraged by their acknowledgment and understanding of the larger financial risk we face through the mandated prefunding of Retiree Health Benefits.

Clearly, the Postal Service is a viable business. Maintaining that status requires elimination of several legislatively-imposed constraints that hamper our ability to operate efficiently and profitably.

Specifically: 1) enable us to alter frequency of delivery consistent with use of the mail; 2) allow us to close unprofitable post offices; 3) restructure our obligation under a 2006 law to prefund retiree health benefits, an obligation not applicable to any other private or government entity; 4) permit us to create and offer products and services beyond mail; 5) assure that arbitrators consider the financial health of the Postal Service when agreement cannot be reached with our labor unions; and 6) resolve overfunding of our pension systems. Legislation has been introduced in Congress to address these issues.

We will need to take a much closer look at the ruling from the PRC in order to make an informed decision about what options we have and what may be the best course of action for our customers, our employees, our stakeholders and the American public.

The Postal Service ends the current fiscal year with approximately $2 billion cash and available credit, meeting all our end-of-year financial obligations, including a $5.5 billion payment to the Retiree Health Benefit Fund as required by law.

As we have stated repeatedly throughout the year, the Postal Service sought a deferral of this $5.5 billion payment to minimize the risk of defaulting on our financial obligations in Fiscal Year 2011. Unfortunately, no legislative action has been taken at this time.

The financial risk remains. We will carefully manage every dollar we spend in the upcoming fiscal year. Our current forecast shows that we will not have sufficient cash to make the $5.5 billion payment due on Sept. 30, 2011, and any major disruption, whether in volume loss or unforeseen circumstances, could cause us to default on financial obligations earlier in FY11.

In the midst of financial and regulatory challenges, the Postal Service achieved record productivity gains in 2010 and a reduction of over 100,000 career employees and cost savings of over $10 billion during the last three years.

As always, service to our customers remains our number one priority. No financial challenge or uncertainty will change that. We will continue to work with Congress and our stakeholders to implement necessary changes to ensure a viable Postal Service for decades to come.

John E. Potter
Postmaster General of the United States
CEO of the U.S. Postal Service