

Post Office reports loss, may cut Saturday service

Agency continues to lose money despite \$6 billion in cost-cutting measures, and proposes that it drop Saturday delivery.

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NEW YORK (CNNMoney.com) -- The U.S. Postal Service reported a \$3.8 billion loss in the 2009 fiscal year, and plans to propose to Congress in 2010 that it drop Saturday delivery.

The agency already reduced expenses by \$6 billion during the year ended Sept. 30.

Those measures included eliminating 40,000 jobs, however the cash-strapped agency still employs over 712,000 people. The Postal Service also reduced overtime hours and lowered transportation-related costs.

Additionally, the USPS lowered the payments it made for retiree health benefits by \$4 billion in fiscal 2009.

"To say this was a difficult year might be a bit of an understatement," said the USPS chief financial officer Joseph Corbett, on a conference call with the media. Corbett blamed the agency's difficulties on the recession and "the continued migration [of customers] to electronic means."

Big changes

Corbett also said on the call that the Post Office will formally propose to Congress that it drop Saturday delivery. "We need more flexibility in our delivery schedule. We've talked a number of times about reducing from 6 to 5 days of service," he said.

That move alone would save \$3.5 billion. But even a 5-day delivery schedule won't be enough to put the USPS into the black, Corbett said. So the agency will also propose to Congress that it reduce the \$5.5 billion in annual payments to pre-fund retiree health benefits that it is slated to make until 2016.

Ongoing losses

This is the third year in a row that the agency has posted a loss; it lost \$2.8 billion in fiscal 2008, and \$5 billion in 2007. The USPS is a self-supporting government agency that receives no tax dollars. It relies solely on the sale of postage and products and services to generate sales.

The Postal Service reported operating revenue of \$68.1 billion, down 9% from last year, while its operating expenses fell to \$71.8 billion, down 7% from 2008.

The service's total mail volume plunged by more than 25 billion pieces, or 12.7%, to 177.1 billion pieces. That drop was twice as much as any mail volume decline in the Postal Service's history.

There is a strong correlation between unemployment and mail volume, according to Corbett, which means that mail volumes will continue to decline as the [unemployment rate](#) climbs.

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