



PRC Report

The U.S. Postal Service (USPS) previously announced a loss for the quarter ending December 31, 2008, in an 8K filed on February 9, 2009. USPS now discloses that its unaudited January 2009 financial results were an estimated \$5.80 billion in revenue and \$6.55 billion in expenses, resulting in an estimated net loss of \$751 million. This loss compares to a loss of \$44 million in January 2008, which resulted from a total revenue of \$6.58 billion and a total expenses of \$6.62 billion. Mail volumes declined by over 15% in January 2009 from January 2008. The January results continue to illustrate that the downward pressure on the Postal Service business continues into 2009.

Commentary

In its filing with the Postal Regulatory Commission this week, the USPS has announced a \$751 million net loss for the month of January, almost double the \$384 million loss reported for the first three months of the fiscal year. That estimated year to date loss is now over \$1.1 billion with eight months still to go. Mail volume in January has fallen 16% from a year ago. That seems to indicate that the drop in volume is accelerating, as volume in the first three months was only down 9.3%.

USPS' First Quarter Overview as reported to PRC on February 9, 2009

- Volume decline of 5.2 billion pieces, or 9.3 %, driven by the economic recession
- Eighth consecutive quarter of accelerating volume declines
- Revenue decline of \$1.3 billion compared to Q1, FY 2008
- 27 million fewer workhours used - reduction of 7.5%
- Some cost benefit from low inflation, but significant cost pressure from labor wage increases

