

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2009

Docket No. ACR2009

COMMISSION INFORMATION REQUEST NO. 1

(Issued January 20, 2010)

To assist the Commission in completing its Annual Compliance Determination, the Postal Service is requested to provide written responses to the following questions. Answers should be provided no later than January 29, 2010.

The Commission intends to convene a public forum to provide interested persons an opportunity to address issues related to the Postal Service's continuing financial stability. Details of the public forum are set forth in a separate notice being issued concurrently herewith.

Fiscal Year 2009 was an extremely challenging year for the Postal Service. Despite aggressive cost cutting and revenue enhancement initiatives, the Postal Service ended the year with a loss of nearly \$3.8 billion. United States Postal Service 2009 Annual Report at 47. This follows losses of roughly \$5.1 billion and \$2.8 billion in fiscal years 2007 and 2008, respectively. *Id.* The Postal Service has accumulated an outstanding debt of \$10.2 billion as of the end of the fiscal year, and it expects to reach its \$15 billion debt ceiling in 2011. *Id.* The continuing losses and debt limits raise questions about the ability of the Postal Service to meet its obligations, including mandated payments to fund the Postal Service Retiree Health Benefits Fund (PSRHBF). The Postal Service states that it "remain[s] highly uncertain regarding the availability of cash in an amount that is sufficient to fund our required \$5.5 billion PSRHBF payment on September 30, 2010." *Id.*

It appears that during FY 2009, negative revenue trends may have worsened to the point which the Postal Service's continuing financial stability is threatened. Indeed, the Postal Service's Comprehensive Statement on Postal Operations (Comprehensive Statement) and its Integrated Financial Plan (IFP) seem to indicate just that. In its Comprehensive Statement, issued in December 2009, the Postal Service explains its approach to its FY 2010 finances. As in FY 2009, it will continue to reduce work hours, increase efficiency, renegotiate contracts with major suppliers, freeze construction of new facilities, and pursue new revenue generation using its pricing flexibility. However, despite planned savings of \$3.8 billion, according to the IFP developed in the fall of 2009, the Postal Service expects to lose \$7.8 billion leaving it with barely enough cash to satisfy its payroll in October. That loss includes a \$5.5 billion payment to the PSRHBF as required by law. IFP at 2. Further, the Postal Service states that it believes its long-term viability is at risk and indicates that relief from pre-funding retiree health benefits is essential. It also contends that other legislative reforms are required. Comprehensive Statement at 62.

With this as background and recognizing that the Comprehensive Statement was prepared early in calendar year 2009, please provide the Postal Service's current plans to achieve financial stability in FY 2010 and beyond under the Postal Accountability and Enhancement Act (PAEA) to enable it to meet its principal responsibilities, including to bind the Nation together and to provide prompt, reliable, and efficient services to patrons in all areas. See 39 U.S.C. § 101(a). The Postal Service should also elaborate on how it was in compliance with 39 U.S.C. § 3622(b)(5) in FY 2009.

By the Commission.

Shoshana M. Grove
Secretary