

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

EXIGENT REQUEST, 2010

Docket No. R2010-4

**STATEMENT OF STEPHEN J. MASSE
ON BEHALF OF THE
UNITED STATES POSTAL SERVICE**

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1 **I. Biographical Sketch**

2
3 My name is Stephen J. Masse. I was appointed Vice President, Finance and
4 Planning of the United States Postal Service in May 2009, reporting to the
5 Executive Vice President and Chief Financial Officer. I am responsible for all
6 forward-looking financial information, from budgets to multi-year financial
7 forecasts. I am also responsible for all revenue and expense budgeting, financial
8 analysis, and program review.

9 I have 27 years experience in providing financial management and leadership
10 services to successful business operations. Most recently I served as Vice
11 President, Finance and Operations, at BAE Systems Regional Aircraft, Inc.,
12 where I was responsible for business planning, financial reporting, budgeting,
13 and large transaction negotiation and analysis. In nineteen years with BAE
14 Systems, I served in various positions of increasing responsibility, including
15 Controller, Vice President of Finance, and Treasurer. I began my career with Big
16 Four accounting firm KPMG in 1983.

17 I graduated with distinction from the University of Virginia, receiving a
18 Bachelor of Science degree in Commerce. I am a certified public accountant and
19 have been a member of the American Institute of Certified Public Accountants
20 since 1985.

21
22 **II. Purpose of Statement**

23 The purpose of my statement is to provide a financial context for the Postal
24 Service's request for exigent price increases for Mailing Services products. This
25 will include an explanation of why price increases based on movements in
26 inflation (as measured with the Consumer Price Index – All Urban Consumers, or
27 CPI-U) will not provide sufficient additional revenue to make an adequate
28 contribution to help solve the financial crisis faced by the USPS.

29 In this process I will describe the following:

- 30
- The Postal Service's current financial condition;

- 1 • The current financial projections for fiscal years (FYs) 2010 and 2011,
2 assuming no price increase, along with an explanation of the
3 methodology and assumptions used in the projections;
- 4 • A financial projection based on exigent price increases, effective
5 January 2, 2011; and,
- 6 • A *pro forma* financial projection with exigent price increases effective
7 October 1, 2010. This projection is solely to show the expected
8 annualized impact of the price increases and is included for
9 comparison purposes only.

10
11 Finally, I will show that a comparison of these projections leads to the
12 conclusion that the Postal Service requires financial improvements that are well
13 beyond the level that would be provided by CPI-U price increases. Even the
14 exigent price increases will not be sufficient, by themselves, to resolve the Postal
15 Service's financial crisis. The exigent price increases are, however, one element
16 of the balanced approach that is being pursued to create a financially sound
17 Postal Service for the future.

18 This statement includes expectations about the Postal Service's business and
19 financial results. Due to the timing of this submission and the extensive analysis
20 required to provide detailed financial and product cost forecasts, estimates were
21 developed based on information available at the end of April 2010. As of the
22 date of this filing, the Postal Service has not yet completed the FY 2011
23 Integrated Financial Plan (IFP). While the estimates herein reflect the current
24 best forecast of financial results for FY 2010 and FY 2011, the estimates may be
25 affected by risks and uncertainties fully discussed in the Annual Report on Form
26 10-K for the year ended September 30, 2009 and the Quarterly Report Form 10-
27 Q for the interim period ended March 31, 2010. These documents should be read
28 in conjunction with this statement and are publicly available on the Postal
29 Service's website at <http://www.usps.com/financials/> or at the Postal Regulatory
30 Commission website at <http://www.prc.gov/>.

31

1 **III. The Postal Service's Financial History and Current Financial Condition**

2 Table 1 shows the Postal Service's financial highlights from FY 2005 through
 3 FY 2009.

4 **Table 1**
 5 **Financial Highlights**
 6

Actual Results for Fiscal Years Ended September 30,					
<i>(Dollars in millions)</i>	2009	2008	2007	2006	2005
<u>Profitability:</u>					
Operating Revenue	\$ 68,090	74,932	74,778	72,650	69,907
Operating Expenses	71,830	77,738	80,105	71,681	68,281
Income (Loss) from Operations	(3,740)	(2,806)	(5,327)	969	1,626
Interest and Investment Income	26	36	195	167	86
Interest Expense	(80)	(36)	(10)	(236)	(267)
Net Income (Loss)	\$ (3,794)	(2,806)	(5,142)	900	1,445
<u>Additional Liquidity Factors:</u>					
Capital Commitments, for the year	\$ 828	2,307	2,582	1,922	2,921
Debt, at year-end	\$ 10,200	7,200	4,200	2,100	-
<u>Net Capital (Deficiency), at year-end:</u>					
Capital Contributions of U.S. Government	\$ 3,087	3,034	3,034	3,034	3,034
Retained (deficit) earnings since reorganization in 1971	(8,500)	(4,706)	(1,900)	3,242	2,342
Total Net Capital (Deficiency)	\$ (5,413)	(1,672)	1,134	6,276	5,376
<u>Operating Statistics (unaudited):</u>					
Number of career employees	623,128	663,238	684,762	696,138	704,716
Mail Volume (millions)	177,058	202,703	212,234	213,138	211,743
New delivery points served (000's)	924	1,200	1,818	1,848	2,007

7
 8
 9 FY 2005 marked the third consecutive year of positive net income and
 10 debt repayment due to healthy mail volume growth, the impact of Public Law
 11 108-18, which reduced the Postal Service's obligations to the Civil Service
 12 Retirement System (CSRS) to avoid a potential overfunding condition, and
 13 continuing cost reduction efforts. P.L.108-18, passed in 2003, required that
 14 beginning in FY 2006, the "savings" from reduced CSRS payments be placed in
 15 escrow until such time as Congress determined an appropriate disposition of the
 16 funds. Therefore, while the Postal Service reported a \$900 million net income in
 17 FY 2006 when mail volume reached its peak, it did not have access to

1 approximately \$3 billion of its funds. To comply with the Postal Accountability
2 and Enhancement Act (PAEA), which was signed into law in December 2006, the
3 Postal Service paid the \$3 billion of escrowed funds into the newly-created Postal
4 Service Retiree Health Benefits Fund (PSRHBF) in April 2007. This payment
5 was expensed and formed part of the \$5.1 billion net loss suffered by the Postal
6 Service in FY 2007.

7 Mail volumes declined slightly in FY 2007, but began to decline
8 significantly in FY 2008 with the start of the recession. During these two years,
9 the Postal Service made the first two of its ten scheduled pre-funding payments
10 into the PSRHBF, as required by PAEA (\$5.4 billion in FY 2007 and \$5.6 billion
11 in FY 2008). Net losses for FY 2007 and FY 2008 totaled \$7.9 billion, driven by
12 the PSRHBF pre-funding and escrow payments which aggregated \$14.0 billion.

13 In response to the significant losses of mail volume beginning in FY 2008,
14 management accelerated cost reduction efforts, as can be seen in the reduction
15 of over 21,500 career employees during FY 2008. Additionally, capital
16 commitments were reduced in order to preserve cash. But even though these
17 efforts helped reduce total expenses by \$2.2 billion, they were not sufficient to
18 offset the mail volume decline and inflationary pressure on wages, benefits and
19 fuel costs, resulting in a net loss of \$2.8 billion and the need to borrow \$3.0 billion
20 at the end of FY 2008.

21 As the recession greatly worsened in FY 2009, mail volume declined
22 precipitously. Table 2 shows the declining trends for total mail volume and for
23 First-Class and Standard Mail, which together comprise 94 percent of total
24 volume.

1
2
3
4

Table 2
Mail Volumes
(Millions of Pieces)

Fiscal Year	Total Mail Volume	% Change from Prior Year	First-Class Mail	% Change from Prior Year	Standard Mail	% Change from Prior Year
2005	211,743	2.7%	98,071	0.1%	100,942	5.6%
2006	213,138	0.7%	97,617	(0.5%)	102,460	1.5%
2007	212,234	(0.4%)	96,296	(1.4%)	103,516	1.0%
2008	202,703	(4.5%)	91,697	(4.8%)	99,084	(4.3%)
2009	177,058	(12.7%)	83,770	(8.6%)	82,706	(16.5%)

5

6 First-Class Mail volume has been in decline since its peak in 2001,
7 primarily due to diversion of correspondence to electronic alternatives (email,
8 electronic bill payment, direct deposit, on-line banking, etc.). Total mail volume
9 peaked in FY 2006, buoyed by steady increases in Standard Mail volume. In
10 2007 volume remained essentially flat, with a small increase in Standard Mail
11 mostly offsetting a decline in First-Class. As economic conditions began to
12 worsen in 2008, both classes of mail declined by over 4 percent.

13 In FY 2009 the U.S. economy fell into the worst recession since the Great
14 Depression of the 1930s. FY 2009 mail volume suffered a 12.7 percent decline,
15 and there was some doubt as to whether the Postal Service would be able to
16 meet all its financial obligations. In response, the Postal Service eliminated 115
17 million workhours, the equivalent of 65,000 full-time equivalent employees. Also
18 affecting the FY 2009 net income, but not liquidity, was a revaluation of the
19 Workers' Compensation liability due to significant declines in interest and
20 discount rates which were tied to the economic recession. This resulted in an
21 increase in the liability of over \$700 million, which was reported as an expense in
22 FY 2009.

23 On the last day of the fiscal year, however, Congress voted to defer \$4.0
24 billion of the \$5.4 billion PSRHBF pre-funding payment, and the Postal Service's
25 net loss for FY 2009 was reduced from \$7.8 billion to \$3.8 billion. Congress'
26 deferral of \$4.0 billion of the scheduled PSRHBF payment provided immediate
27 financial relief, but did not address the root cause of the Postal Service's financial
28 problems. The current business model has historically assumed that increasing

1 revenue from growing mail volume will cover the increasing costs of an ever
 2 expanding delivery network. When volumes decline, it is impossible for the
 3 Postal Service to reduce its costs commensurately because of the high level of
 4 fixed costs associated with the massive delivery network. Combine these
 5 economics with the additional burden of pre-funding the PSRHBF by
 6 approximately \$5.5 billion annually, and the business model is in a dire state.

7 The Postal Service's FY 2010 Integrated Financial Plan (IFP) assumed
 8 that volumes would decline by another 6.2 percent and that aggressive cost
 9 reductions totaling \$3.8 billion would hold the fiscal year net loss to \$7.8 billion,
 10 absent any deferral of the scheduled PSRHBF pre-funding payment. While the
 11 IFP reflected payment of all obligations as of the end of FY 2010, its very slender
 12 margin of \$200 million of cash on hand at the end of the fiscal year left open the
 13 possibility that the Postal Service might not be able to make all its required
 14 payments in the first months of FY 2011.

15 Based upon performance during the first eight months of FY 2010, it
 16 appears that although we still have less mail volume and revenue than in FY
 17 2009, the financial results are expected to be better than originally planned.
 18 Table 3 below compares FY 2009 actual financial results, FY 2010 IFP
 19 projections, the current financial forecast for FY 2010, and the initial forecast for
 20 FY 2011 without price increases ("before rates").

21
 22 **Table 3**
 23 **Financial Results and Forecasts**
 24

	Total Volume (millions)	Revenue (\$ millions)	Expenses (\$ millions)	Net Income (\$ millions)
FY 2009 Actual	177,058	68,116	71,910	(3,794)
FY 2010 IFP	166,142	65,867	73,642	(7,774)
FY 2010 Forecast	169,281	67,175	73,624	(6,449)
FY 2011 - Before Rates	174,322	67,821	74,805	(6,984)

25
 26 Although current projections are that FY 2010 financial results will be
 27 approximately \$1.3 billion better than planned in the IFP, the Postal Service will
 28 still be in a very weak financial position at year-end and approaching our

1 statutory debt limit of \$15 billion. Losses are expected to worsen in FY 2011,
 2 and we will have insufficient liquidity to pay all of our obligations – a projected
 3 cash shortfall of over \$4 billion. Our proposed exigent price increases will
 4 improve the FY 2011 outlook, but will not by themselves avert a liquidity crisis at
 5 the end of FY 2011.

6
 7 **IV. Key Forecast Assumptions**

8 Projections for FY 2011 are based on the April 2010 baseline forecast of
 9 IHS Global Insight, Inc. (Global Insight), a respected independent economic
 10 forecasting and consulting firm. Table 4 displays a selection of Global Insight’s
 11 April forecast assumptions about U.S. economic conditions through the end of
 12 FY 2011.

13 **Table 4**
 14 **Global Insight April 2010 Baseline Forecasts**
 15

	FY 2009 (actual)	FY 2010	FY 2011
Gross Domestic Product	(2.9%)	2.3%	3.0%
Retail Sales	(8.7%)	3.0%	4.6%
Non-Farm Employment	(4.7%)	(2.1%)	2.0%
Investment	(22.8%)	5.1%	11.5%
Inflation (CPI-U)	(0.3%)	1.9%	1.8%
ECI (Wages & Salaries–Private Industry)	2.0%	1.7%	1.9%

16
 17 The economy is expected to gradually improve in 2010 and return to
 18 somewhat slow growth in 2011. The proposed exigent price increase is
 19 assumed to be effective on January 2, 2011. In January 2010, the Postal
 20 Service submitted a volume forecast and the related demand equations to the
 21 Postal Regulatory Commission (Commission), as required. Those equations
 22 have been updated for actual results through Quarter 1 of FY 2010 and for the
 23 above economic forecast data from April 2010.

24 Salaries and benefits cost assumptions for employees represented by the
 25 National Association of Letter Carriers (NALC) and National Postal Mailhandlers

1 Union (NPMHU) are based on current labor agreements, both of which expire in
2 November 2011. Assumptions for employees represented by the American
3 Postal Workers Union (APWU) and National Rural Letter Carriers Association
4 (NRLCA) are based on Global Insight's projections of changes in the
5 Employment Cost Index Wages and Salaries - Private Industry (ECI) after their
6 agreements expire in November 2010. (Note – ECI was used as a modeling
7 technique only and should not be interpreted as the Postal Service's position with
8 regard to labor agreement negotiations.)

9 We project continuing aggressive cost reductions through the remainder of
10 FY 2010 and all of FY 2011. Cost reductions, however, will be increasingly
11 difficult to achieve as automation opportunities are reaching their limits.

12 13 **V. Guide to Documentation**

14 At the end of my Statement are Lists of Attachments and Related Folders.
15 The Attachments, which are discussed in more detail below, provide details of
16 the financial impacts of the exigent price increases and comparisons of three
17 different forecast scenarios.

- 18 • The Before Rates Forecast assumes that Market Dominant prices will
19 not be increased in FY 2011.
- 20 • The After Rates Forecast assumes that the exigent price changes,
21 discussed in Dr. Keifer's statement, are implemented on January 2,
22 2011, the first Sunday of the new year, consistent with Postmaster
23 General Potter's commitment to keep rates steady throughout 2010.
- 24 • The After Rates-Full Year Forecast assumes that the same price
25 changes are implemented on October 1, 2010, the first day of FY
26 2011. This After Rates-Full Year Forecast supports the pro forma
27 financial analysis that describes the impact of the price increases over
28 the course of a full year, and is for comparative analysis purposes only.
- 29 • All three forecast scenarios include forecasts of Market Dominant
30 mailing and special services transactions.

- 1 • All three forecast scenarios assume a five percent “place holder” price
2 increase for Competitive Products, effective on January 2, 2011.
3 Actual price changes for Competitive Products will be announced at a
4 later date.

5
6 The following briefly explains the approach to developing the forecasts
7 and identifies the supporting material provided in the related folders.

8
9 A. Volume and Revenue

10 The volume forecast in support of the exigent price increase is based on
11 an update of the econometric demand analysis filed with the Commission on
12 January 20, 2010, which complied with Commission Rule 3050.26 and was
13 based on information available in the Fall of 2009. The demand models and
14 forecasts used in this case are based on information available in early April 2010.
15 This information includes Postal Service revenue and volume data through
16 Quarter 1, FY 2010. Historical and forecasted exogenous economic data were
17 obtained from Global Insight’s April 2010 baseline forecast. Historical and
18 forecasted data for other exogenous variables, such as those measuring the
19 effects of electronic diversion and competitors, were obtained from RCF
20 Economic and Financial Analysis, Inc. (RCF).

21 Revenue forecasts for this case are developed by multiplying the
22 forecasted volumes by the appropriate average revenues per piece. Therefore, a
23 4 percent price increase, for example, increases the forecast of the revenue per
24 piece by 4 percent.

25 Attachment 1 – Mail Volume by Fiscal Year, shows the actual FY 2009
26 mail volume, our current projection for FY 2010, and the FY 2011 mail volumes
27 projected under the three sets of Market Dominant price change assumptions.
28 The Before Rates (BR) forecast shows volume results assuming no price
29 increase. The After Rates (AR) forecast assumes the exigent price increases are
30 implemented on January 2, 2011. The After Rates-Full Year (ARFY) forecast

1 assumes rate implementation on October 1, 2010 and is provided solely to
2 demonstrate the effect of the exigent increase for a full year.

3 Attachment 2 - Mail and Special Services Revenue by Fiscal Year, shows
4 the 2011 revenues associated with the volumes in Attachment 1.

5 The detailed revenue and volume forecasts for Market Dominant products,
6 along with the demand equations, are included in Folder USPS-R2010-4/8
7 Revenue and Volume Forecast Materials (Public Version). Comparable
8 information for Competitive Products, which are not the subject of this
9 proceeding, is presented in Folder USPS-R2010-4/NP3 Revenue and Volume
10 Forecast Materials (Non-Public Version).

11 12 B. Expenses

13 The determination of costs is described in more detail in the next and
14 succeeding paragraphs, but Attachment 3 summarizes Revenue and Expenses
15 for each of the FY 2009 Actual results, FY 2010 Forecast, and the three
16 forecasts for FY 2011 assuming the different pricing scenarios. Attachment 4
17 presents Statements of Cash Flows based upon the same five sets of financial
18 criteria for 2009 through 2011.

19 Cost change factors are developed using the methodologies described in
20 the Cost Factor Development Model, which is documented in Folder USPS-
21 R2010-4/7 Cost Factor Development (Public Version). The approach to the
22 development of the cost factors relies on the methodologies used in former
23 Revenue Requirement filings. Cost factors include Cost Level, Non-Volume
24 Workload, Additional Day, Cost Reductions, Productivity Goals, Other Programs,
25 Corporatewide Activities, and Servicewide Costs. A full description of these
26 factors is included in Folder USPS-R2010-4/7 at RfdescrExigent10.

27 These cost factors are applied to FY 2009 and FY 2010 accrued and
28 estimated costs by cost component using the Product Cost & Contribution
29 Estimation Model (PCCEM) documented in Folder USPS-R2010- 4/6 PCCEM
30 (Public Version). Non-public versions of the Cost Factor Development Model
31 and the Product Cost & Contribution Model, which include certain sensitive

1 materials omitted from the public versions, are filed under seal as Folder USPS-
 2 R2010-1/NP1 and NP2, respectively. Additionally, the PCCEM calculates and
 3 applies adjustments based on volume changes. The output is a projection of
 4 costs by cost segment by year, as shown in Attachment 5 through Attachment 8
 5 to this Statement.

6
 7 **VI. Scenario Comparisons**

8 Table 5 compares the financial results of the scenarios described above as
 9 summarized in Attachment 3 – Statements of Revenue and Expenses and
 10 Attachment 4 – Statements of Cash Flows.

11
 12 **Table 5**
 13 **Summary of FY 2011 Financial Forecasts**
 14 (Dollars in Millions)

	Total Revenue	Change vs. FY2010 Forecast	Total Expenses	Change vs. FY2010 Forecast	Net Income (Loss)	Cash Shortfall
Before Rates	\$ 67,821	1.0%	\$ 74,805	1.6%	\$ (6,984)	\$ (4,369)
After Rates	\$ 69,811	3.9%	\$74,524	1.2%	\$ (4,713)	\$ (2,098)
AR – Full Year	\$70,466	4.9%	\$ 74,388	1.0%	\$ (3,922)	\$ (1,307)

15
 16 The projections indicate that the requested exigent price increase effective
 17 January 2, 2011 would trim the Postal Service’s FY 2011 net loss by
 18 approximately \$2.3 billion versus a scenario with no price increase, and that the
 19 full-year net loss impact would be approximately \$3.1 billion.

20 The looming liquidity crisis referred to earlier is summarized in Table 5
 21 with the large cash shortfalls at the end of FY 2011. Attachment 4 – Statements
 22 of Cash Flows, summarize the Postal Service cash flows for FY 2008 through FY
 23 2011. The large losses experienced from FY 2007 to FY 2009 and the projected
 24 losses for the next two years are expected to drain all the Postal Service’s cash,
 25 push its debt to the statutory limit of \$15 billion, and leave the Postal Service
 26 unable to pay all its obligations before the end of FY 2011, regardless of whether
 27 the exigent price increases are approved.

1 Attachments 9 through 12, Contribution by Class of Mail, for each price
2 increase scenario, illustrate the expected effects of the forecasted revenues and
3 expenses on the contribution for each product category.

4 A price increase at the CPI rate cap level of approximately 0.578 percent
5 would make a very small difference in the Postal Service's financial position while
6 the current financial crisis requires much stronger measures. The proposed
7 exigent price increases will reduce the current rate of net losses, but the price
8 increases alone are not sufficient to avert the liquidity crisis looming at the end of
9 FY 2011.

10 11 **VII. Conclusion**

12 This analysis clearly shows that the Postal Service is in very poor financial
13 condition, and that condition is expected to worsen in the coming years. We
14 believe that a combination of actions is necessary to stabilize the Postal
15 Service's financial health over the long term. In response, we have requested
16 authority to implement the Five-day Delivery Plan; an action that will ultimately be
17 decided by Congress. Likewise, the deferral of statutorily mandated pre-funding
18 payments into the PSRHBF can only be granted through the legislative process.
19 We are pursuing these remedies, along with other revenue-generating and cost-
20 cutting initiatives. An exigent price increase is the only remedy to the Postal
21 Service's current financial situation permitted within current law. We believe that
22 this proposed increase is one very important element of the balanced and
23 reasonable approach that is being pursued to create a financially sound Postal
24 Service for the future.

25 The Postal Service is making this request as the U.S. economy inches its
26 way through a very fragile recovery. We are sensitive to customer concerns and
27 to the health of the economic sectors they represent. In filing this request, we
28 recognize that price increases large enough to eliminate the Postal Service's
29 current net losses would dramatically drive away mail volumes, assuring that the
30 relief would only be temporary.

1 The proposed increases will not be sufficient by themselves to avert the
2 liquidity crisis at the end of FY 2011, nor will they return the Postal Service to
3 financial health. The price increases will, however, provide substantial financial
4 benefit to the Postal Service and when coupled with the other fundamental
5 changes outlined in our March 2 Plan will lead to a financially sound Postal
6 Service for the future.

1 **List of Attachments**

- 2
- 3 Attachment 1: Mail Volume by Fiscal Year
- 4 Attachment 2: Mail and Special Services Revenue by Fiscal Year
- 5 Attachment 3: Statements of Revenue and Expenses
- 6 Attachment 4: Statements of Cash Flows
- 7 Attachment 5: FY 2010 Before Rates, Cost Segment Summary Table
- 8 Attachment 6: FY 2011 Before Rates, Cost Segment Summary Table
- 9 Attachment 7: FY 2011 After Rates, (Jan 2, 2011 Implementation) Cost Segment
- 10 Summary Table
- 11 Attachment 8: FY 2011 After Rates-Full Year, (October 1, 2010 Implementation)
- 12 Cost Segment Summary Table
- 13 Attachment 9: Contribution by Class of Mail-FY2010
- 14 Attachment 10: Contribution by Class of Mail-FY2011 Before Rates
- 15 Attachment 11: Contribution by Class of Mail-FY2011 After Rates (January 2,
- 16 2011 Implementation)
- 17 Attachment 12: Contribution by Class of Mail-FY2011 After Rates-Full Year
- 18 (October 1, 2010 Implementation)

19

20

21 **List of Related Folders**

22

- 23 1. USPS-R2010-4/6: Product Cost & Contribution Estimation Model (PCCEM)
- 24 (Public Version)
- 25 2. USPS-R2010-4/7: Cost Factor Development (Public Version)
- 26 3. USPS-R2010-4/8: Revenue and Volume Forecast Materials (Public Version)
- 27 4. USPS-R2010-4/NPI: PCCEM (Non-Public Version)
- 28 5. USPS-R2010-4/NP2: Cost Factor Development (Non-Public Version)
- 29 6. USPS-R2010-4/NP3: Revenue and Volume Forecast Materials (Non-Public
- 30 Version)

US Postal Service
Mail Volume by Fiscal Year
(Billions of pieces)

Mail Class	2009 Actual	2010 Forecast	2011 BR Forecast	2011 AR Forecast (Jan 2, 2011)	2011 ARFY Forecast (Oct 1, 2010)
Market Dominant Products:					
First Class	83.8	78.5	76.0	75.5	75.1
Standard Mail	82.7	80.9	88.6	87.9	87.5
Periodicals	8.0	7.3	7.0	7.0	7.0
Package Services	0.7	0.7	0.7	0.7	0.7
U.S.Postal Service	0.5	0.5	0.5	0.5	0.5
Free for the Blind	0.1	0.1	0.1	0.1	0.1
Total Market Dominant Products	175.7	167.9	172.9	171.6	170.9
Competitive Products	1.4	1.4	1.4	1.4	1.4
Total Mail Volume	177.1	169.3	174.3	173.0	172.3

US Postal Service
Mail and Special Services Revenue by Fiscal Year
(\$ Billions)

Mail Class	2009 Actual	2010 Forecast	2011 BR Forecast	2011 AR Forecast (Jan 2, 2011)	2011 ARFY Forecast (Oct 1, 2010)
Market Dominant Products:					
First Class	\$35.9	34.2	33.0	34.1	34.5
Standard Mail	17.4	17.2	18.9	19.5	19.8
Periodicals	2.0	1.9	1.8	1.9	2.0
Package Services	1.7	1.5	1.5	1.6	1.6
Special Services	2.8	2.9	2.9	3.0	3.0
Total Market Dominant Products	59.8	57.6	58.1	60.1	60.8
Competitive Products	8.1	8.5	8.7	8.7	8.7
Special Services	0.0	0.0	0.0	0.0	0.0
Total Competitive	8.1	8.5	8.7	8.7	8.7
Total Mail & Services Revenue	67.9	66.2	66.8	68.8	69.5
Other Income	0.1	0.9	0.8	0.8	0.8
Appropriations	0.1	0.1	0.1	0.1	0.1
Interest & Investment Income	0.0	0.0	0.0	0.0	0.0
Total Revenue	\$68.1	67.2	67.8	69.8	70.5

US Postal Service
Statements of Revenue and Expenses
(\$ millions)

LINE NUMBER	2009 Actual	2010 Forecast	2011 BR Forecast	2011 AR Forecast (Jan 2, 2011)	2011 ARFY Forecast (Oct 1, 2010)
REVENUE					
1	\$67,979	67,025	67,671	69,661	70,316
2	111	126	123	123	123
3	26	24	27	27	27
4	68,116	67,175	67,821	69,811	70,466
OPERATING EXPENSES					
5	2,244	2,321	2,397	2,394	2,392
6	3,863	3,907	4,033	4,016	4,007
7	16,764	14,864	14,691	14,596	14,546
8	4	4	4	4	4
9	15,788	15,474	15,594	15,530	15,497
10	648	635	648	646	644
11	0	0	0	0	0
12	6,460	6,477	6,772	6,750	6,738
13	3,384	3,314	3,431	3,422	3,417
14	1,212	1,225	1,261	1,259	1,257
15	424	485	491	491	490
16	6,026	5,904	6,074	6,036	6,017
17	2,019	1,993	2,004	2,004	2,004
18	2,602	2,670	2,736	2,729	2,726
19	15	15	15	15	15
20	7,784	11,403	11,503	11,503	11,503
21	41	41	42	42	42
22	2,632	2,891	3,111	3,090	3,090
24	0	0	0	0	0
	71,911	73,624	74,805	74,524	74,388
	NET INCOME (LOSS)				
	(\$3,794)	(6,449)	(6,984)	(4,713)	(3,922)

**US Postal Service
Statements of Cash Flows**

(\$ millions)

	2009 Actual	2010 Forecast	2011 BR Forecast	2011 AR Forecast (Jan 2, 2011)	2011 ARFY Forecast (Oct 1, 2010)
Cash flows from operating activities:					
Net Loss	(\$3,794)	(6,449)	(6,984)	(4,713)	(3,922)
Adjustments to reconcile net loss to cash from operations:					
Depreciation and amortization	2,270	2,438	2,524	2,524	2,524
(Gain) Loss on disposals of PPE, net	109	(21)	-	-	-
(increase) decrease in appropriations receivable	52	52	52	52	52
Workers' Compensation, POD WC (Net)	2,061	97	168	168	168
Increase (decrease) employees accumulated leave	17	-	-	-	-
(Decrease) increase in non-current deferred appropriations receiv	(4)	-	-	-	-
Increase (Decrease) in other non-current liabilities	(4)	13	-	-	-
Changes in current assets and liabilities:					
(Increase) decrease in receivables, net	(95)	(100)	(100)	(100)	(100)
Decrease (increase) in supplies, advances & prepayments	55	3	-	-	-
(Decrease) Increase in compensation and benefits	207	12	(1,473)	(1,473)	(1,473)
(Decrease) Increase in prepaid postage - deferred revenue	756	(216)	-	-	-
Increase (Decrease) in payables & accrued expenses	113	-	25	25	25
(Decrease) Increase in prepaid box rent and deferred revenu	(10)	5	-	-	-
(Decrease) increase in customer deposit accounts	(102)	(50)	(25)	(25)	(25)
(Decrease) increase in outstanding postal money orders	(58)	(50)	(25)	(25)	(25)
Net cash provided by operating activities	1,573	(4,267)	(5,838)	(3,567)	(2,776)
Cash Flows from investing activities					
Purchase of Property & Equipment, Net	(1,839)	(1,477)	(1,493)	(1,493)	(1,493)
Proceeds from the sale of Property and Equipment	27	38	-	-	-
Proceeds from Deferred Building sale	6	-	-	-	-
Net cash used in investing activities	(1,806)	(1,439)	(1,493)	(1,493)	(1,493)
Cash Flows from financing activities:					
Increase (decrease) in debt outstanding	3,000	3,000	1,800	1,800	1,800
Payments for Capital Lease	(46)	(47)	(49)	(49)	(49)
U.S. government appropriations - expensed	(64)	(63)	(63)	(63)	(63)
Net cash (used in) provided by financing activities	2,890	2,890	1,688	1,688	1,688
Net Increase (Decrease) in Cash	2,657	(2,815)	(5,643)	(3,372)	(2,581)
Cash balance at beginning of year	1,432	4,089	1,274	1,274	1,274
Cash Balance (Shortfall) at end of year	\$4,089	1,274	(4,369)	(2,098)	(1,307)

Note: FY 2011 begins the year and also ends the year on a pay date - there are 27 pay dates in FY 2011 versus the normal 26

**US Postal Service
FY2010
Cost Segment Summary Table
(\$000)**

C/S	Cost Segment	Comp	FY2009	Cost Level Change	Mail Volume Change	Non-Volume Workload	Additional Workday	Cost Reductions	Productivity Goals	Other Programs	Corporate-wide Activities	Servicewide Costs	FY2010 Before Workyear Mix Adj.	Workyear Mix Adjustment	FY2010 After Workyear Mix Adj.
1	Postmasters	251	2,243,838	101,953	(20,410)	(4,071)	0	0	0	0	0	0	2,321,310	0	2,321,310
2	Supervisors & Technicians	284	3,862,750	161,332	(115,477)	5,179	0	(8,024)	0	979	0	0	3,906,739	0	3,906,739
3	Clerks and Mailhandlers	478	16,764,389	288,297	(765,872)	1,515	0	(59,864)	(1,341,396)	15,476	0	0	14,902,545	(38,595)	14,863,950
4	Clerks, CAG K Post Offices	254	3,814	76	(135)	0	0	0	0	0	0	0	3,755	0	3,755
6	City Delivery Carriers, Office	256	4,535,657	112,335	(224,967)	1,421	0	(25,451)	(110,021)	0	0	0	4,288,974	(2,807)	4,286,167
7	City Delivery Carriers, Street	257	11,252,631	278,694	(181,073)	36,303	0	(35,876)	(155,361)	0	0	0	11,195,319	(7,327)	11,187,992
8	Vehicle Service Drivers	258	647,748	9,496	(22,608)	0	0	0	0	0	0	0	634,636	0	634,636
10	Rural Carriers	260	6,459,514	163,628	(97,182)	56,729	0	(10,931)	(97,473)	2,900	0	0	6,477,184	0	6,477,184
11	Custodial and Maint Svcs	359	3,384,332	59,390	(75,443)	(6,617)	0	(54,671)	0	6,887	10	0	3,313,888	0	3,313,888
12	Motor Vehicle Service	262	1,211,776	23,863	(15,127)	5,017	0	0	0	(233)	13	0	1,225,309	0	1,225,309
13	Misc Local Operations	263	424,297	13,064	(3,023)	(2,895)	0	(20)	0	71,196	(17,513)	0	485,106	0	485,106
14	Transportation	264	6,025,679	(64,231)	(318,268)	0	0	0	0	260,567	0	0	5,903,747	0	5,903,747
15	Building Occupancy	289	2,019,334	12,156	0	(6,030)	0	(31,179)	0	2,461	(3,439)	0	1,993,304	0	1,993,304
16	Supplies and Services	490	2,601,739	91,192	(49,780)	898	0	(14,322)	0	53,624	(12,872)	0	2,670,479	0	2,670,479
17	Research and Development	267	15,451	0	0	0	0	0	0	(11)	(80)	0	15,361	0	15,361
18	Admin and Area Operations	459	7,783,819	51,688	0	(190)	0	(20)	0	32,203	(9,831)	3,545,212	11,402,881	0	11,402,881
19	General Mgmt Systems	269	41,423	1,039	0	0	0	0	0	(1,287)	(430)	0	40,744	0	40,744
20	Other Accrued Expenses	475	2,632,379	2,695	(2,557)	0	0	0	0	(246)	3,783	255,108	2,891,163	0	2,891,163
Total All C/S			71,910,570	1,306,666	(1,891,922)	87,260	0	(240,358)	(1,704,251)	444,515	(40,359)	3,800,320	73,672,441	(48,729)	73,623,712

**US Postal Service
FY2011 Before Rates
Cost Segment Summary
Table
(\$000)**

C/S	Cost Segment	Comp	FY2010BR		Cost Level Change	Mail Volume Change	Non-Volume Workload	Additional Workday	Cost Reductions	Productivity Goals	Other Programs	Corporate-wide Activities	Servicewide Costs	FY2011BR		FY2011BR After Workyear Mix Adj.
			Before Workyear Mix Adj	Change										Before Workyear Mix Adj.	Workyear Mix Adjustment	
1	Postmasters	251	2,321,310	77,994	1,615	(4,236)	0	0	0	0	0	0	0	2,396,683	0	2,396,683
2	Supervisors & Technicians	284	3,906,739	117,558	15,256	5,338	0	(18,396)	0	6,451	0	0	0	4,032,945	0	4,032,945
3	Clerks and Mailhandlers	478	14,902,545	356,961	30,903	1,545	0	(88,518)	(442,627)	99,135	0	0	0	14,859,944	(168,932)	14,691,012
4	Clerks, CAG K Post Offices	254	3,755	111	(37)	0	0	0	0	0	0	0	0	3,829	0	3,829
6	City Delivery Carriers, Office	256	4,288,974	107,503	62,753	1,440	0	(317,227)	(42,090)	0	0	0	0	4,101,353	(12,473)	4,088,880
7	City Delivery Carriers, Street	257	11,195,319	280,611	60,462	36,771	0	(29,345)	(3,977)	0	0	0	0	11,539,841	(35,094)	11,504,747
8	Vehicle Service Drivers	258	634,636	14,303	(1,064)	0	0	0	0	0	0	0	0	647,875	0	647,875
10	Rural Carriers	260	6,477,184	214,343	78,070	56,362	0	(37,153)	(17,083)	0	0	0	0	6,771,723	0	6,771,723
11	Custodial and Maint Svcs	359	3,313,888	78,257	5,213	(6,779)	0	(21,779)	0	62,283	0	0	0	3,431,082	0	3,431,082
12	Motor Vehicle Service	262	1,225,309	26,516	4,222	5,102	0	0	0	0	0	0	0	1,261,149	0	1,261,149
13	Misc Local Operations	263	485,106	10,266	(752)	(1,417)	0	(2,068)	0	0	0	0	0	491,135	0	491,135
14	Transportation	264	5,903,747	180,238	(11,735)	0	0	(1,165)	0	2,799	0	0	0	6,073,884	0	6,073,884
15	Building Occupancy	289	1,993,304	13,124	0	(6,056)	0	0	0	3,186	0	0	0	2,003,558	0	2,003,558
16	Supplies and Services	490	2,670,479	65,224	(434)	972	0	0	0	0	0	0	0	2,736,241	0	2,736,241
17	Research and Development	267	15,361	0	0	0	0	0	0	0	0	0	0	15,361	0	15,361
18	Admin and Area Operations	459	11,402,881	40,350	0	(195)	0	0	0	0	0	59,484	11,502,519	0	11,502,519	
19	General Mgmt Systems	269	40,744	801	0	0	0	0	0	0	0	0	0	41,545	0	41,545
20	Other Accrued Expenses	475	2,891,163	2,113	(680)	0	0	0	0	0	0	218,065	3,110,660	0	3,110,660	
Total All C/S			73,672,441	1,586,271	243,791	88,849	0	(515,650)	(505,777)	173,854	0	277,549	75,021,327	(216,499)	74,804,829	

**US Postal Service
FY2011 After Rates
(Jan 2, 2011 Implementation)
Cost Segment Summary Table
(\$000)**

C/S	Cost Segment	Comp	FY2010AR Before Workyear Mix Adj	Cost Level Change	Mail Volume Change	Non- Volume Workload	Additional Workday	Cost Reductions	Productivity Goals	Other Programs	Corporate- wide Activities	Servicewide Costs	FY2011AR Before Workyear Mix Adj.	Workyear Mix Adjustment	FY2011AR After Workyear Mix Adj.
1	Postmasters	251	2,321,310	77,994	(1,379)	(4,230)	0	0	0	0	0	0	2,393,694	0	2,393,694
2	Supervisors & Technicians	284	3,906,739	117,558	(1,524)	5,338	0	(18,396)	0	6,451	0	0	4,016,165	0	4,016,165
3	Clerks and Mailhandlers	478	14,902,545	356,961	(65,202)	1,545	0	(88,518)	(442,627)	99,135	0	0	14,763,839	(168,284)	14,595,555
4	Clerks, CAG K Post Offices	254	3,755	111	(52)	0	0	0	0	0	0	0	3,814	0	3,814
6	City Delivery Carriers, Office	256	4,288,974	107,503	34,397	1,440	0	(317,199)	(42,086)	0	0	0	4,073,030	(12,767)	4,060,263
7	City Delivery Carriers, Street	257	11,195,319	280,611	26,291	36,771	0	(29,373)	(3,981)	0	0	0	11,505,638	(36,064)	11,469,574
8	Vehicle Service Drivers	258	634,636	14,303	(3,429)	0	0	0	0	0	0	0	645,510	0	645,510
10	Rural Carriers	260	6,477,184	214,343	56,133	56,362	0	(37,153)	(17,083)	0	0	0	6,749,786	0	6,749,786
11	Custodial and Maint Svcs	359	3,313,888	78,257	(4,256)	(6,779)	0	(21,779)	0	62,283	0	0	3,421,614	0	3,421,614
12	Motor Vehicle Service	262	1,225,309	26,516	1,665	5,102	0	0	0	0	0	0	1,258,592	0	1,258,592
13	Misc Local Operations	263	485,106	10,266	(1,351)	(1,417)	0	(2,068)	0	0	0	0	490,536	0	490,536
14	Transportation	264	5,903,747	180,238	(49,205)	0	0	(1,165)	0	2,799	0	0	6,036,414	0	6,036,414
15	Building Occupancy	289	1,993,304	13,124	0	(6,056)	0	0	0	3,186	0	0	2,003,558	0	2,003,558
16	Supplies and Services	490	2,670,479	65,224	(7,290)	972	0	0	0	0	0	0	2,729,385	0	2,729,385
17	Research and Development	267	15,361	0	0	0	0	0	0	0	0	0	15,361	0	15,361
18	Admin and Area Operations	459	11,402,881	40,350	0	(195)	0	0	0	0	0	59,484	11,502,519	0	11,502,519
19	General Mgmt Systems	269	40,744	801	0	0	0	0	0	0	0	0	41,545	0	41,545
20	Other Accrued Expenses	475	2,891,163	2,113	(1,090)	0	0	0	0	0	0	197,799	3,089,984	0	3,089,984
	Total All C/S		73,672,441	1,586,271	(16,291)	88,854	0	(515,650)	(505,777)	173,854	0	257,283	74,740,984	(217,115)	74,523,870

**US Postal Service
FY2011 After Rates-Full Year
(October 1, 2010 Implementation)
Cost Segment Summary Table (\$000)**

C/S	Cost Segment	Comp	FY2010AR Before Workyear Mix Adj	Cost Level Change	Mail Volume Change	Non- Volume Workload	Additional Workday	Cost Reductions	Productivity Goals	Other Programs	Corporate- wide Activities	Servicewide Costs	FY2011ARFY Before Workyear Mix Adj.	Workyear Mix Adjustment	FY2011ARFY After Workyear Mix Adj.
1	Postmasters	251	2,321,310	77,994	(3,018)	(4,227)	0	0	0	0	0	0	2,392,058	0	2,392,058
2	Supervisors & Technicians	284	3,906,739	117,558	(10,194)	5,338	0	(18,396)	0	6,451	0	0	4,007,496	0	4,007,496
3	Clerks and Mailhandlers	478	14,902,545	356,961	(114,374)	1,545	0	(88,518)	(442,627)	99,135	0	0	14,714,667	(168,284)	14,546,383
4	Clerks, CAG K Post Offices	254	3,755	111	(60)	0	0	0	0	0	0	0	3,806	0	3,806
6	City Delivery Carriers, Office	256	4,288,974	107,503	19,550	1,440	0	(317,184)	(42,084)	0	0	0	4,058,199	(12,747)	4,045,452
7	City Delivery Carriers, Street	257	11,195,319	280,611	8,379	36,771	0	(29,388)	(3,983)	0	0	0	11,487,709	(36,083)	11,451,626
8	Vehicle Service Drivers	258	634,636	14,303	(4,681)	0	0	0	0	0	0	0	644,258	0	644,258
10	Rural Carriers	260	6,477,184	214,343	44,423	56,362	0	(37,153)	(17,083)	0	0	0	6,738,076	0	6,738,076
11	Custodial and Maint Svcs	359	3,313,888	78,257	(9,090)	(6,779)	0	(21,779)	0	62,283	0	0	3,416,779	0	3,416,779
12	Motor Vehicle Service	262	1,225,309	26,516	317	5,102	0	0	0	0	0	0	1,257,244	0	1,257,244
13	Misc Local Operations	263	485,106	10,266	(1,663)	(1,417)	0	(2,068)	0	0	0	0	490,224	0	490,224
14	Transportation	264	5,903,747	180,238	(69,085)	0	0	(1,165)	0	2,799	0	0	6,016,534	0	6,016,534
15	Building Occupancy	289	1,993,304	13,124	0	(6,056)	0	0	0	3,186	0	0	2,003,558	0	2,003,558
16	Supplies and Services	490	2,670,479	65,224	(10,811)	973	0	0	0	0	0	0	2,725,865	0	2,725,865
17	Research and Development	267	15,361	0	0	0	0	0	0	0	0	0	15,361	0	15,361
18	Admin and Area Operations	459	11,402,881	40,350	0	(195)	0	0	0	0	0	59,484	11,502,519	0	11,502,519
19	General Mgmt Systems	269	40,744	801	0	0	0	0	0	0	0	0	41,545	0	41,545
20	Other Accrued Expenses	475	2,891,163	2,113	(1,332)	0	0	0	0	0	0	197,799	3,089,742	0	3,089,742
	Total All C/S		73,672,441	1,586,271	(151,638)	88,857	0	(515,650)	(505,777)	173,854	0	257,283	74,605,640	(217,114)	74,388,526

US Postal Service
Contribution by Class of Mail - FY2010

		Revenue (in \$millions)	Volume (in millions)	Attributable Cost (in \$millions)	Volume Variable Cost (in \$millions)	Product Specific Cost (in \$millions)	Revenue \$ (per piece)	Attributable Cost \$ (per piece)	Contribution \$ (per piece)	Cost Coverage
DOMESTIC MARKET DOMINANT PRODUCTS										
First-Class Mail										
Single Piece Letters	3	\$12,713	27,921	\$7,175	\$7,154	\$21	\$0.455	\$0.257	\$0.198	177.2%
Single Piece Postcards	4	\$412	1,432	\$381	\$380	\$1	\$0.288	\$0.266	\$0.022	108.1%
Total Single Piece Letters and Cards	5	\$13,125	29,352	\$7,556	\$7,534	\$22	\$0.447	\$0.257	\$0.190	173.7%
Presort Letters	8	\$15,058	42,499	\$5,000	\$4,968	\$32	\$0.354	\$0.118	\$0.237	301.2%
Presort Postcards	9	\$684	3,169	\$240	\$238	\$2	\$0.216	\$0.076	\$0.140	284.4%
Total Presort Letters and Cards	10	\$15,742	45,668	\$5,240	\$5,206	\$34	\$0.345	\$0.115	\$0.230	300.4%
Flats	14	\$3,206	2,547	\$1,868	\$1,866	\$2	\$1.259	\$0.733	\$0.526	171.7%
Parcels	15	\$1,074	549	\$1,009	\$1,008	\$1	\$1.957	\$1.838	\$0.119	106.5%
Fees	18	\$167	0	\$0	\$0	\$0				
Total First-Class	100	\$33,314	78,116	\$15,673	\$15,614	\$60	\$0.426	\$0.201	\$0.226	212.6%
Standard Mail										
High Density and Saturation Letters	21	\$693	5,121	\$317	\$316	\$0	\$0.135	\$0.062	\$0.074	218.9%
High Density and Saturation Flats and Parcels	22	\$1,929	11,903	\$797	\$796	\$1	\$0.162	\$0.067	\$0.095	242.2%
Carrier Route Letters	23	\$2,212	9,283	\$1,464	\$1,463	\$1	\$0.238	\$0.158	\$0.081	151.1%
Flats	25	\$9,005	46,633	\$4,949	\$4,945	\$4	\$0.193	\$0.106	\$0.087	182.0%
Not Flat-Machinables and Parcels	26	\$2,693	7,260	\$3,147	\$3,146	\$1	\$0.371	\$0.433	-\$0.062	85.6%
Fees	27	\$625	662	\$798	\$798	\$0	\$0.945	\$1.206	-\$0.261	78.3%
Fees	29	\$88	0	\$0	\$0	\$0				
Total Standard Mail	105	\$17,246	80,861	\$11,471	\$11,464	\$7	\$0.213	\$0.142	\$0.071	150.3%
Periodicals										
In County	31	\$88	821	\$98	\$98	\$0	\$0.107	\$0.120	-\$0.013	89.5%
Outside County	32	\$1,792	6,473	\$2,288	\$2,288	\$0	\$0.277	\$0.353	-\$0.077	78.3%
Fees	39	\$15	0	\$0	\$0	\$0				
Total Periodicals	110	\$1,895	7,294	\$2,386	\$2,386	\$0	\$0.260	\$0.327	-\$0.067	79.4%
Package Services										
Single Piece Parcel Post	41	\$530	57	\$534	\$534	\$0	\$9.224	\$9.301	-\$0.077	99.2%
Bound Printed Matter Flats	42	\$204	240	\$116	\$116	\$0	\$0.849	\$0.483	\$0.366	175.7%
Bound Printed Matter Parcels	43	\$348	257	\$345	\$345	\$0	\$1.354	\$1.342	\$0.011	100.8%
Media and Library Mail	44	\$372	125	\$412	\$412	\$0	\$2.983	\$3.303	-\$0.320	90.3%
Fees	49	\$4	0	\$0	\$0	\$0				
Total Package Services	115	\$1,458	679	\$1,407	\$1,407	\$0	\$2.146	\$2.072	\$0.074	103.6%
U.S. Postal Service										
Free Mail	125	\$0	452	\$0	\$0	\$0	\$0.000	\$0.000		
Free Mail	130	\$0	60	\$51	\$51	\$0	\$0.000	\$0.853		
Total Domestic Market Dominant Mail	135	\$53,913	167,462	\$30,988	\$30,922	\$66	\$0.322	\$0.185	\$0.137	174.0%
Special Services										
Ancillary Services										
Certified	51	\$748	0	\$652	\$652	\$0	\$2.799			
COD	52	\$7	0	\$6	\$6	\$0	\$7.750			
Insurance	54	\$119	0	\$101	\$101	\$0	\$3.086			
Registered Mail	55	\$47	0	\$42	\$42	\$0	\$16.298			
Stamped Envelopes	56	\$17	0	\$5	\$5	\$0	\$0.000			
Stamped Cards	57	\$0	0	\$1	\$1	\$0	\$0.000			
Other Ancillary Services	58	\$799	0	\$586	\$586	\$0	\$0.542			
Caller Service	62	\$95	0	\$33	\$33	\$0	\$0.000			
Money Orders	73	\$185	0	\$131	\$128	\$3	\$1.463			
Post Office Box Service	74	\$822	0	\$624	\$623	\$1	\$0.000			
Other Special Services	76	\$0	0	\$0	\$0	\$0	\$0.000			
Total Domestic Market Dominant Services	140	\$2,840	0	\$2,185	\$2,180	\$5	\$1.487	\$1.144	\$0.343	130.0%
Total Domestic Market Dominant Attributable Costs	143	\$56,753	167,462	\$33,173	\$33,102	\$71	\$0.335	\$0.196	\$0.139	171.1%
Total Domestic Competitive Mail	175	\$7,041	1,116	\$5,096	\$5,014	\$82	\$6.310	\$4.568	\$1.742	138.1%
INTERNATIONAL MAIL AND SERVICES										
TOTAL ATTRIBUTABLE COSTS	198	\$66,191	169,276	\$40,260	\$39,831	\$429	\$0.387	\$0.235	\$0.151	164.4%
OTHER COSTS	199	\$841	0	\$33,364	\$33,793	-\$429				
TOTAL COSTS*	200	\$67,032	169,276	\$73,624	\$73,624	\$0				

US Postal Service
Contribution by Class of Mail - FY2011 Before Rates

		Revenue (in \$millions)	Volume (in millions)	Attributable Cost (in \$millions)	Volume Variable Cost (in \$millions)	Product Specific Cost (in \$millions)	Revenue \$ (per piece)	Attributable Cost \$ (per piece)	Contribution \$ (per piece)	Cost Coverage
DOMESTIC MARKET DOMINANT PRODUCTS										
First-Class Mail										
Single Piece Letters	3	\$11,910	26,148	\$6,738	\$6,727	\$12	\$0.455	\$0.258	\$0.198	176.8%
Single Piece Postcards	4	\$380	1,320	\$353	\$352	\$1	\$0.288	\$0.267	\$0.020	107.6%
Total Single Piece Letters and Cards	5	\$12,290	27,468	\$7,091	\$7,079	\$12	\$0.447	\$0.258	\$0.189	173.3%
Presort Letters	8	\$14,819	41,939	\$4,953	\$4,935	\$18	\$0.353	\$0.118	\$0.235	299.2%
Presort Postcards	9	\$696	3,226	\$246	\$245	\$1	\$0.216	\$0.076	\$0.140	283.3%
Total Presort Letters and Cards	10	\$15,515	45,165	\$5,198	\$5,179	\$19	\$0.344	\$0.115	\$0.228	298.5%
Flats	14	\$3,119	2,469	\$1,807	\$1,806	\$1	\$1.264	\$0.732	\$0.531	172.6%
Parcels	15	\$1,017	520	\$962	\$962	\$1	\$1.957	\$1.852	\$0.105	105.6%
Fees	18	\$167	0	\$0	\$0	\$0				
Total First-Class	100	\$32,108	75,622	\$15,059	\$15,026	\$33	\$0.425	\$0.199	\$0.225	213.2%
Standard Mail										
High Density and Saturation Letters	21	\$784	5,757	\$360	\$360	\$0	\$0.136	\$0.063	\$0.074	217.7%
High Density and Saturation Flats and Parcels	22	\$2,167	13,374	\$913	\$912	\$1	\$0.162	\$0.068	\$0.094	237.3%
Carrier Route	23	\$2,359	9,913	\$1,553	\$1,552	\$1	\$0.238	\$0.157	\$0.081	151.9%
Letters	25	\$9,935	51,021	\$5,441	\$5,437	\$4	\$0.195	\$0.107	\$0.088	182.6%
Flats	26	\$2,901	7,802	\$3,319	\$3,319	\$1	\$0.372	\$0.425	-\$0.054	87.4%
Not Flat-Machinables and Parcels	27	\$673	714	\$866	\$866	\$0	\$0.943	\$1.214	-\$0.270	77.7%
Fees	29	\$88	0	\$0	\$0	\$0				
Total Standard Mail	105	\$18,907	88,580	\$12,453	\$12,446	\$7	\$0.213	\$0.141	\$0.073	151.8%
Periodicals										
In County	31	\$82	764	\$89	\$89	\$0	\$0.107	\$0.116	-\$0.009	92.1%
Outside County	32	\$1,751	6,283	\$2,203	\$2,203	\$0	\$0.279	\$0.351	-\$0.072	79.5%
Fees	39	\$15	0	\$0	\$0	\$0				
Total Periodicals	110	\$1,848	7,047	\$2,291	\$2,291	\$0	\$0.262	\$0.325	-\$0.063	80.7%
Package Services										
Single Piece Parcel Post	41	\$551	60	\$565	\$565	\$0	\$9.169	\$9.408	-\$0.239	97.5%
Bound Printed Matter Flats	42	\$210	247	\$119	\$119	\$0	\$0.850	\$0.482	\$0.369	176.5%
Bound Printed Matter Parcels	43	\$362	268	\$363	\$363	\$0	\$1.349	\$1.352	-\$0.003	99.8%
Media and Library Mail	44	\$361	121	\$403	\$403	\$0	\$2.982	\$3.328	-\$0.346	89.6%
Fees	49	\$4	0	\$0	\$0	\$0				
Total Package Services	115	\$1,488	696	\$1,450	\$1,450	\$0	\$2.137	\$2.083	\$0.054	102.6%
U.S. Postal Service										
Free Mail	130	\$0	61	\$52	\$52	\$0	\$0.000	\$0.858		
Total Domestic Market Dominant Mail	135	\$54,351	172,498	\$31,306	\$31,266	\$40	\$0.315	\$0.181	\$0.134	173.6%
Special Services										
Ancillary Services										
Certified	51	\$752	0	\$665	\$665	\$0	\$2.799			
COD	52	\$6	0	\$5	\$5	\$0	\$7.750			
Insurance	54	\$113	0	\$96	\$96	\$0	\$3.087			
Registered Mail	55	\$44	0	\$37	\$37	\$0	\$16.301			
Stamped Envelopes	56	\$16	0	\$5	\$5	\$0	\$0.000			
Stamped Cards	57	\$0	0	\$1	\$1	\$0	\$0.000			
Other Ancillary Services	58	\$823	0	\$638	\$638	\$0	\$0.523			
Caller Service	62	\$95	0	\$34	\$34	\$0	\$0.000			
Money Orders	73	\$178	0	\$127	\$124	\$3	\$1.461			
Post Office Box Service	74	\$824	0	\$642	\$640	\$1	\$0.000			
Other Special Services	76	\$0	0	\$0	\$0	\$0	\$0.000			
Total Domestic Market Dominant Services	140	\$2,851	0	\$2,253	\$2,249	\$5	\$1.423	\$1.124	\$0.298	126.5%
Total Domestic Market Dominant Attributable Costs	143	\$57,202	172,498	\$33,559	\$33,514	\$45	\$0.328	\$0.192	\$0.135	170.5%
Total Domestic Competitive Mail	175	\$7,069	1,084	\$4,969	\$4,886	\$82	\$6.518	\$4.582	\$1.937	142.3%
INTERNATIONAL MAIL AND SERVICES										
TOTAL ATTRIBUTABLE COSTS	198	\$66,849	174,316	\$40,450	\$40,238	\$212	\$0.379	\$0.229	\$0.150	165.3%
OTHER COSTS	199	\$827	0	\$34,354	\$34,566	-\$212				
TOTAL COSTS	200	\$67,676	174,316	\$74,805	\$74,805	\$0				

US Postal Service
Contribution by Class of Mail - FY2011 After Rates
(January 2, 2011 Implementation)

		Revenue (in \$Millions)	Volume (in millions)	Attributable Cost (in \$Millions)	Volume Variable Cost (in \$Millions)	Product Specific Cost (in \$Millions)	Revenue \$ (per piece)	Attributable Cost \$ (per piece)	Contribution \$ (per piece)	Cost Coverage
DOMESTIC MARKET DOMINANT PRODUCTS										
First-Class Mail										
Single Piece Letters	3	\$12,244	26,036	\$6,723	\$6,701	\$22	\$0.470	\$0.258	\$0.212	182.1%
Single Piece Postcards	4	\$393	1,300	\$348	\$347	\$1	\$0.302	\$0.268	\$0.034	112.9%
Total Single Piece Letters and Cards	5	\$12,637	27,336	\$7,072	\$7,049	\$23	\$0.462	\$0.259	\$0.204	178.7%
Presort Letters	8	\$15,359	41,632	\$4,934	\$4,901	\$33	\$0.369	\$0.119	\$0.250	311.3%
Presort Postcards	9	\$700	3,116	\$239	\$236	\$2	\$0.225	\$0.077	\$0.148	293.5%
Total Presort Letters and Cards	10	\$16,059	44,748	\$5,172	\$5,137	\$35	\$0.359	\$0.116	\$0.243	310.5%
Flats	14	\$3,235	2,451	\$1,797	\$1,795	\$2	\$1.319	\$0.733	\$0.587	180.0%
Parcels	15	\$1,125	512	\$948	\$947	\$1	\$2.199	\$1.854	\$0.345	118.6%
Fees	18	\$167	0	\$0	\$0	\$0				
Total First-Class	100	\$33,223	75,048	\$14,989	\$14,928	\$61	\$0.443	\$0.200	\$0.243	221.6%
Standard Mail										
High Density and Saturation Letters	21	\$803	5,704	\$357	\$357	\$0	\$0.141	\$0.063	\$0.078	224.9%
High Density and Saturation Flats and Parcels	22	\$2,215	13,258	\$906	\$905	\$1	\$0.167	\$0.068	\$0.099	244.6%
Carrier Route	23	\$2,417	9,818	\$1,539	\$1,538	\$1	\$0.246	\$0.157	\$0.089	157.1%
Letters	25	\$10,233	50,667	\$5,406	\$5,402	\$4	\$0.202	\$0.107	\$0.095	189.3%
Flats	26	\$2,988	7,747	\$3,298	\$3,297	\$1	\$0.386	\$0.426	-\$0.040	90.6%
Not Flat-Machinables and Parcels	27	\$793	688	\$837	\$836	\$0	\$1.153	\$1.215	-\$0.063	94.9%
Fees	29	\$88	0	\$0	\$0	\$0				
Total Standard Mail	105	\$19,538	87,882	\$12,342	\$12,335	\$7	\$0.222	\$0.140	\$0.082	158.3%
Periodicals										
In County	31	\$86	763	\$89	\$89	\$0	\$0.113	\$0.116	-\$0.003	97.6%
Outside County	32	\$1,846	6,251	\$2,193	\$2,193	\$0	\$0.295	\$0.351	-\$0.055	84.2%
Fees	39	\$15	0	\$0	\$0	\$0				
Total Periodicals	110	\$1,948	7,014	\$2,281	\$2,281	\$0	\$0.278	\$0.325	-\$0.047	85.4%
Package Services										
Single Piece Parcel Post	41	\$575	60	\$564	\$564	\$0	\$9.588	\$9.416	\$0.173	101.8%
Bound Printed Matter Flats	42	\$215	243	\$117	\$117	\$0	\$0.882	\$0.482	\$0.399	182.9%
Bound Printed Matter Parcels	43	\$373	263	\$356	\$356	\$0	\$1.418	\$1.354	\$0.064	104.7%
Media and Library Mail	44	\$373	119	\$396	\$396	\$0	\$3.134	\$3.332	-\$0.198	94.1%
Fees	49	\$4	0	\$0	\$0	\$0				
Total Package Services	115	\$1,539	685	\$1,434	\$1,434	\$0	\$2.246	\$2.093	\$0.153	107.3%
U.S. Postal Service	125	\$0	492	\$0	\$0	\$0	\$0.000	\$0.000		
Free Mail	130	\$0	61	\$52	\$52	\$0	\$0.000	\$0.858		
Total Domestic Market Dominant Mail	135	\$56,247	171,182	\$31,098	\$31,030	\$67	\$0.329	\$0.182	\$0.147	180.9%
Special Services										
Ancillary Services										
Certified	51	\$777	0	\$660	\$660	\$0	\$2.912			
COD	52	\$6	0	\$5	\$5	\$0	\$7.998			
Insurance	54	\$114	0	\$94	\$94	\$0	\$3.181			
Registered Mail	55	\$45	0	\$37	\$37	\$0	\$16.854			
Stamped Envelopes	56	\$17	0	\$5	\$5	\$0	\$0.000			
Stamped Cards	57	\$0	0	\$1	\$1	\$0	\$0.000			
Other Ancillary Services	58	\$837	0	\$621	\$621	\$0	\$0.545			
Caller Service	62	\$95	0	\$34	\$34	\$0	\$0.000			
Money Orders	73	\$182	0	\$126	\$123	\$3	\$1.507			
Post Office Box Service	74	\$850	0	\$641	\$640	\$1	\$0.000			
Other Special Services	76	\$0	0	\$0	\$0	\$0	\$0.000			
Total Domestic Market Dominant Services	140	\$2,924	0	\$2,229	\$2,224	\$5	\$1.490			
Total Domestic Market Dominant Attributable Costs	143	\$59,171	171,182	\$33,326	\$33,254	\$72	\$0.342	\$0.192	\$0.149	177.6%
Total Domestic Competitive Mail	175	\$7,069	1,084	\$4,971	\$4,889	\$82	\$6.518	\$4.584	\$1.934	142.2%
INTERNATIONAL MAIL AND SERVICES	185	\$2,590	722	\$2,091	\$1,811	\$280	\$3.587	\$2.896	\$0.691	123.9%
TOTAL ATTRIBUTABLE COSTS	198	\$68,829	172,988	\$40,388	\$39,954	\$435	\$0.393	\$0.231	\$0.163	170.4%
OTHER COSTS	199	\$827	0	\$34,136	\$34,570	-\$435				
TOTAL COSTS	200	\$69,656	172,988	\$74,524	\$74,524	\$0				

US Postal Service
Contribution by Class of Mail - FY2011 After Rates - Full Year
(October 1, 2010 Implementation)

		Revenue (in \$millions)	Volume (in millions)	Attributable Cost (in \$millions)	Volume Variable Cost (in \$millions)	Product Specific Cost (in \$millions)	Revenue \$ (per piece)	Attributable Cost \$ (per piece)	Contribution \$ (per piece)	Cost Coverage
DOMESTIC MARKET DOMINANT PRODUCTS										
First-Class Mail										
Single Piece Letters	3	\$12,375	25,980	\$6,712	\$6,690	\$22	\$0.476	\$0.258	\$0.218	184.4%
Single Piece Postcards	4	\$398	1,292	\$346	\$345	\$1	\$0.308	\$0.268	\$0.040	114.8%
Total Single Piece Letters and Cards	5	\$12,772	27,272	\$7,058	\$7,035	\$23	\$0.468	\$0.259	\$0.210	181.0%
Presort Letters	8	\$15,506	41,414	\$4,910	\$4,878	\$33	\$0.374	\$0.119	\$0.256	315.8%
Presort Postcards	9	\$698	3,061	\$235	\$232	\$2	\$0.228	\$0.077	\$0.151	297.7%
Total Presort Letters and Cards	10	\$16,204	44,475	\$5,145	\$5,110	\$35	\$0.364	\$0.116	\$0.249	315.0%
Flats	14	\$3,275	2,441	\$1,790	\$1,788	\$2	\$1.342	\$0.733	\$0.609	183.0%
Parcels	15	\$1,168	508	\$941	\$940	\$1	\$2.301	\$1.855	\$0.447	124.1%
Fees	18	\$167	0	\$0	\$0	\$0				
Total First-Class	100	\$33,587	74,696	\$14,934	\$14,873	\$61	\$0.450	\$0.200	\$0.250	224.9%
Standard Mail										
High Density and Saturation Letters	21	\$809	5,669	\$355	\$355	\$0	\$0.143	\$0.063	\$0.080	227.9%
High Density and Saturation Flats and Parcels	22	\$2,231	13,183	\$901	\$900	\$1	\$0.169	\$0.068	\$0.101	247.6%
Carrier Route	23	\$2,436	9,757	\$1,530	\$1,529	\$1	\$0.250	\$0.157	\$0.093	159.2%
Letters	25	\$10,330	50,527	\$5,393	\$5,390	\$4	\$0.204	\$0.107	\$0.098	191.5%
Flats	26	\$3,018	7,723	\$3,289	\$3,289	\$1	\$0.391	\$0.426	-\$0.035	91.8%
Not Flat-Machinables and Parcels	27	\$833	678	\$824	\$824	\$0	\$1.230	\$1.216	\$0.014	101.1%
Fees	29	\$88	0	\$0	\$0	\$0				
Total Standard Mail	105	\$19,746	87,537	\$12,293	\$12,286	\$7	\$0.226	\$0.140	\$0.085	160.6%
Periodicals										
In County	31	\$88	761	\$88	\$88	\$0	\$0.116	\$0.116	-\$0.001	99.5%
Outside County	32	\$1,879	6,238	\$2,189	\$2,189	\$0	\$0.301	\$0.351	-\$0.050	85.9%
Fees	39	\$15	0	\$0	\$0	\$0				
Total Periodicals	110	\$1,983	6,999	\$2,277	\$2,277	\$0	\$0.283	\$0.325	-\$0.042	87.1%
Package Services										
Single Piece Parcel Post	41	\$587	60	\$563	\$563	\$0	\$9.822	\$9.420	\$0.402	104.3%
Bound Printed Matter Flats	42	\$215	241	\$116	\$116	\$0	\$0.892	\$0.482	\$0.410	185.0%
Bound Printed Matter Parcels	43	\$375	260	\$352	\$352	\$0	\$1.442	\$1.355	\$0.087	106.4%
Media and Library Mail	44	\$375	118	\$392	\$392	\$0	\$3.193	\$3.335	-\$0.142	95.7%
Fees	49	\$4	0	\$0	\$0	\$0				
Total Package Services	115	\$1,556	679	\$1,424	\$1,424	\$0	\$2.293	\$2.097	\$0.196	109.3%
U.S. Postal Service	125	\$0	492	\$0	\$0	\$0	\$0.000	\$0.000		
Free Mail	130	\$0	61	\$52	\$52	\$0	\$0.000	\$0.859		
Total Domestic Market Dominant Mail	135	\$56,872	170,463	\$30,980	\$30,912	\$67	\$0.334	\$0.182	\$0.152	183.6%
Special Services										
Ancillary Services										
Certified	51	\$783	0	\$657	\$657	\$0	\$2.949			
COD	52	\$6	0	\$5	\$5	\$0	\$8.086			
Insurance	54	\$114	0	\$92	\$92	\$0	\$3.230			
Registered Mail	55	\$45	0	\$37	\$37	\$0	\$17.068			
Stamped Envelopes	56	\$17	0	\$5	\$5	\$0	\$0.000			
Stamped Cards	57	\$0	0	\$1	\$1	\$0	\$0.000			
Other Ancillary Services	58	\$840	0	\$613	\$613	\$0	\$0.553			
Caller Service	62	\$95	0	\$34	\$34	\$0	\$0.000			
Money Orders	73	\$183	0	\$126	\$123	\$3	\$1.521			
Post Office Box Service	74	\$859	0	\$641	\$640	\$1	\$0.000			
Other Special Services	76	\$0	0	\$0	\$0	\$0	\$0.000			
Total Domestic Market Dominant Services	140	\$2,943	0	\$2,217	\$2,212	\$5	\$1.515	\$1.141	\$0.374	132.8%
Total Domestic Market Dominant Attributable Costs	143	\$59,815	170,463	\$33,196	\$33,124	\$72	\$0.347	\$0.193	\$0.154	180.2%
Total Domestic Competitive Mail	175	\$7,069	1,084	\$4,973	\$4,891	\$82	\$6.518	\$4.586	\$1.933	142.1%
INTERNATIONAL MAIL AND SERVICES	185	\$2,596	717	\$2,078	\$1,798	\$280	\$3.622	\$2.899	\$0.723	124.9%
TOTAL ATTRIBUTABLE COSTS	198	\$69,480	172,264	\$40,247	\$39,813	\$435	\$0.399	\$0.231	\$0.168	172.6%
OTHER COSTS	199	\$827	0	\$34,141	\$34,576	-\$435				
TOTAL COSTS	200	\$70,307	172,264	\$74,389	\$74,389	\$0				