

POSTAL REGULATORY COMMISSION
901 New York Avenue, NW
Suite 200
Washington, D.C. 20268-0001

FORM 8-K

CURRENT REPORT
Pursuant To Section 13 or 15(d) of
The Securities Exchange Act of 1934
and Section 3654 of
The Postal Accountability and Enhancement Act of 2006

Date of Report (Date of earliest event reported): May 7, 2008

United States Postal Service

(Exact name of registrant as specified in its charter)

n/a
(State or other jurisdiction of incorporation
or organization)

n/a
(Commission File Number)

41-076000
(I.R.S. Employer Identification No.)

474 L'Enfant Plaza, SW
Washington, D.C.
(Address of principal executive offices)

20260
(Zip Code)

202-268-2000
(Registrant's telephone number, including area code)

n/a
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On May 7, 2008, the United States Postal Service announced financial results for the second quarter of fiscal year 2008. Attached hereto are pertinent text of a press release and certain supplemental information setting forth those financial results.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit 99.1 Pertinent text of a press release issued on May 7, 2008 regarding financial results for the fiscal quarter ended March 31, 2008.

Exhibit 99.2 Supplemental Information.

Signatures

Pursuant to the requirements of the Postal Accountability and Enhancement Act of 2006, the Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service
(Registrant)

By: Lynn Malcolm
(Signature)
Lynn Malcolm
Vice President, Controller

Date: May 9, 2008

**Postal Service Reports Second Quarter Loss;
Economic Slowdown Cited**
National On-Time Performance Continues at Record Levels

WASHINGTON, DC — Despite cost-cutting measures, the U.S. Postal Service ended the second quarter with a net loss of \$707 million, driven by a continued decline in mail volume resulting from the current national economic climate. Meanwhile, the on-time delivery of First-Class Mail continued at record levels in the second quarter.

The second quarter results were presented during today's meeting of the Postal Service Board of Governors. For the first six months of the fiscal year, the Postal Service has essentially broken even, reporting a net loss of \$35 million on revenue of \$39.3 billion.

Mail volume for the quarter ending March 31 totaled 51.3 billion pieces, a 3.3 percent drop from the previous second quarter. First-Class Mail volume decreased by 3.1 percent and Standard Mail volume was down 3 percent.

Year-to-date total mail volume is down by 3.1 percent compared to the same period last year. If the trend continues, this will be only the seventh year total mail volume has decreased in the last 50 years and could be the largest decline since 2002.

Revenue was \$18.9 billion in the second quarter, an increase of \$584 million, or 3.2 percent, over the same period last year reflecting last year's price adjustments, but well below expectations. Expenses in the second quarter totaled \$19.6 billion, an increase of \$52 million, or 0.3 percent, from the previous year. The slight increase was driven by an increase in transportation expenses, particularly fuel costs.

"Weakness in the housing and credit markets, both of which are heavy users of mail, are leading the declines in mail volume," Postmaster General John Potter told the Board. "While mail volume may rebound with the economy, it is clear we need to accelerate our efforts to seek new structural and process changes to remain economically viable and to further improve customer service."

One such change, made possible by the Postal Act of 2006, gives the Postal Service new pricing flexibility to better serve its customers. "Next week, for the first time ever, we'll begin offering price incentives for Express Mail and Priority Mail, enabling us to better compete for package business," Potter said.

The Postal Service also continues to focus on reducing costs and increasing efficiency. For example, workhours have been reduced by more than 18 million in the first two quarters of the year compared to similar periods in 2007.

Second Quarter Service Scores

In other action, Postal Service Consumer Advocate Delores Killeto told the Board national on-time performance scores for the delivery of First-Class Mail continued at record levels in the second quarter. National overnight service was 96 percent on-time, a record high for four quarters in a row. Two-day service was 94 percent and three-day service was 92 percent on-time. All these scores are the highest

ever achieved in quarter two.

First-Class Mail performance is measured independently by IBM Global Business Services. The process measures First-Class Mail from the time it is deposited into a collection box until it is delivered to a home or business.

Exhibit 99.2

See attached



Financial Review

Board of Governors'
Open Session

May 7, 2008

H. Glen Walker
Chief Financial Officer & Executive Vice President



Financial Performance Qtr II YTD Overview

- Volumes down on last year for all mail classes**
 - **Economy**
 - **Last price increase under old regulatory system**
- Rising fuel costs**



Our Reaction To This Environment

- **Intense Focus on Cost Reductions**
 - **Work Hours and Rates**
 - **Transportation**
 - **Headquarters**
 - **Real Estate**



Our Reaction To This Environment

- Growth Initiatives**
 - **Express, Priority, Ground Packages**
 - **Returns**
 - **Parcel Select**
 - **Mailing Services**
 - **Business Development Teams**
 - **Managed Accounts**



Preliminary Income Statement Qtr II, FY 2008

	<u>Actual</u>	<u>SPLY</u>	<u>VAR</u>	<u>%SPLY</u>
Volume	51,302	53,028	-1,726	-3.3%
Revenue	\$18,923	\$18,339	\$584	3.1%
Expense	<u>19,630</u>	<u>19,578</u>	<u>52</u>	<u>0.3%</u>
Net Income/Loss	-\$707	-\$1,239	\$532	

(Data in Millions)

Financial Update

Numbers may not add due to rounding



Preliminary Income Statement Qtr II, YTD FY 2008

	<u>Actual</u>	<u>SPLY</u>	<u>VAR</u>	<u>%SPLY</u>
Volume	106,705	110,131	-3,426	-3.1%
Revenue	\$39,301	\$38,028	\$1,273	3.3%
Operating Expense	<u>39,335</u>	<u>39,280</u>	<u>\$ 55</u>	<u>0.0%</u>
Operating Income/Loss	-\$35	-\$1,252	\$1,217	
Prior-Year Escrow	<u>\$0</u>	<u>\$2,958</u>	<u>-\$2,958</u>	
Net Income/Loss	-\$35	-\$4,210	\$4,175	

(Data in Millions)

Current Financials

Numbers may not add due to rounding



Preliminary Qtr II 2008 Volume

	<u>Volume</u>	<u>% SPLY</u>
First-Class	23.7B	-3.1%
Standard	24.5B	-3.0%
Periodicals	2.2B	-4.3%
Express	12M	-14.3%
Priority	220M	-4.2%
Package Svc	<u>279M</u>	-4.0%
Total All Mail	51.3B	-3.3%

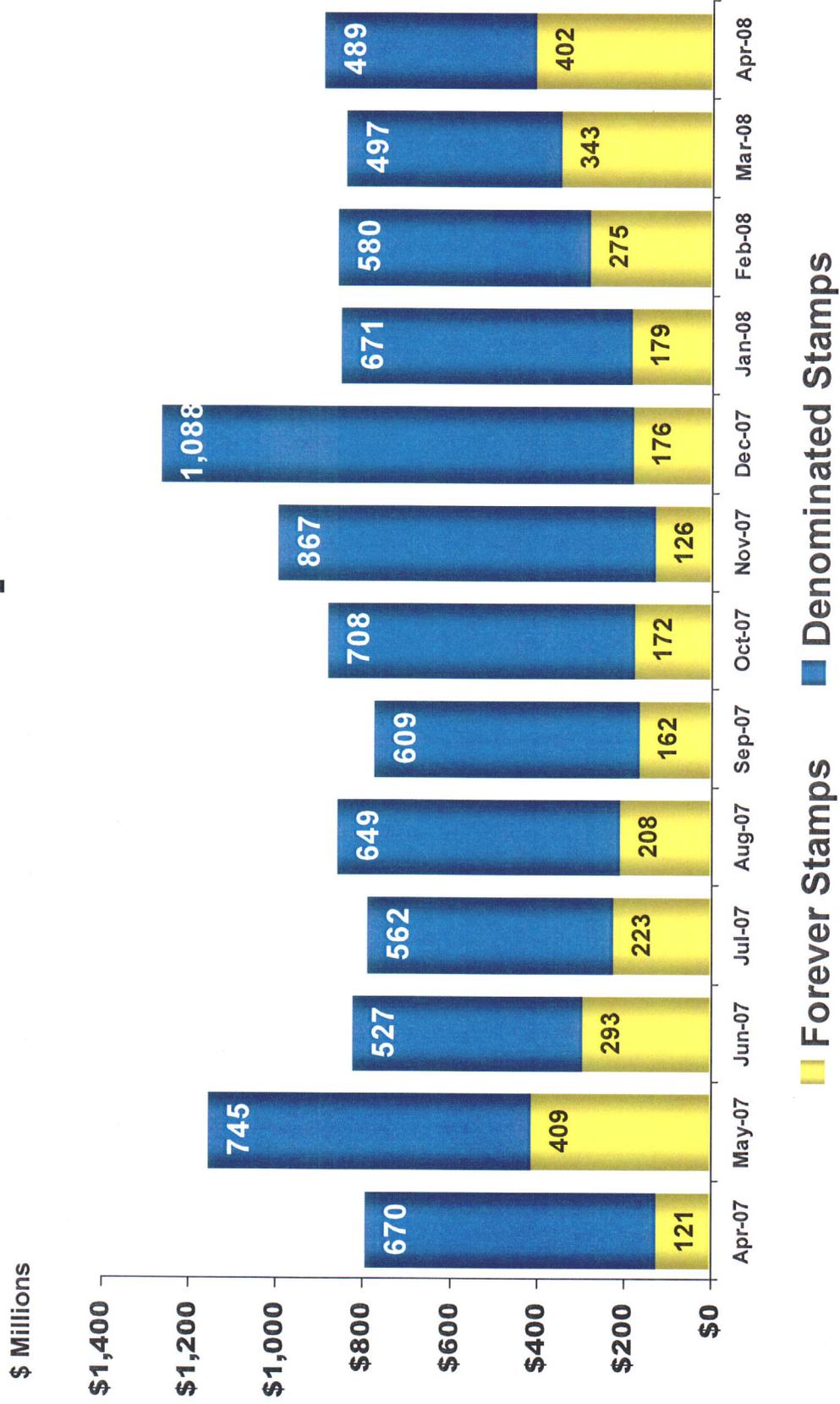


Preliminary Qtr II YTD FY 2008 Volume

	<u>Volume</u>	<u>% SPLY</u>
First-Class	48.0B	-3.5%
Standard	52.2B	-2.8%
Periodicals	4.4B	-1.6%
Express	24M	-12.6%
Priority	461M	-4.6%
Package Svc	<u>597M</u>	-3.7%
Total All Mail	106.7B	-3.1%



Total Stamp Sales





Preliminary Expense Variance to SPLY

	<u>Qtr II</u>	<u>Qtr II</u>	<u>Qtr II</u>	<u>YTD</u>
(\$ in Millions)				
Compensation & Benefits	-168			-\$435
Transportation	175			173
Depreciation & Amortization	47			130
Vehicle Maintenance Service	19			65
All Other	<u>-21</u>			<u>122</u>
Total Expense Variance	\$52			\$55



Challenges – 2nd Half of Fiscal Year

- ❑ Volatile Economy - financial and housing sectors account for the largest portion of the volume decline, with no turn around in sight.**
- ❑ Full year volumes are projected to be down for only the 7th year out of the last 50 years.**
- ❑ Fuel prices continue to impact expenses.**



Challenges – 2nd Half of Fiscal Year

Requires us to hope for the best but plan for the worst:

- ✓ **Intense Focus on Cost Reductions**
- ✓ **Optimize All Growth Opportunities**



Financial Review

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H. Glen Walker
Chief Financial Officer & Executive Vice President