



# Postal Regulatory Commission

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## Press Release

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### PRC Examination of USPS Financials Show Net Operating Loss of \$1.3 Billion

Liabilities weaken improvements in liquidity

**Washington, DC** – Today the Postal Regulatory Commission (Commission) released [its \*Financial Analysis report\*](#), which analyzes the overall financial position of the United States Postal Service in Fiscal Year (FY) 2017.

In FY 2017, the Postal Service recorded its first net loss from operations, since FY 2013, of \$1.3 billion, largely due to declining mail volume, the expiration of the exigent surcharge, and higher operating costs. However, including non-cash workers' compensation costs and retirement expenses, the net loss from operations increases to a total net loss of \$2.7 billion in FY 2017. This is an improvement of \$2.8 billion compared to the total net loss in FY 2016. This improvement is the result of a \$4.8 billion decrease in the retiree health benefits expense, and a \$3.4 billion decrease in the non-cash workers' compensation expense, offset by \$2.4 billion in increased expenses that resulted from provisions in the Postal Accountability and Enhancement Act (PAEA) for unfunded retirement benefit costs. Liquidity also continues to improve in FY 2017 and is at its highest level since FY 2007. However, liabilities on and off-balance sheet for pension and annuitant health benefits continue to threaten the improvements in liquidity.

The Postal Service experienced a decline in revenue for most of its Market Dominant products. Consumer price index-based price increases were not sufficient to offset the decline in mail volume and the reduction in additional revenue from the expiration of the exigent surcharge. Overall Market Dominant Mail and Services revenue declined 7.7 percent from the previous year. First-Class Mail revenue declined by 6.7 percent while Marketing Mail revenue declined by 5.7 percent. Periodicals revenue also saw a decline of 8.8 percent. Conversely, package services revenue increased by 0.3 percent compared to FY 2016.

In contrast, overall revenue for Competitive products increased by \$2.2 billion in FY 2017. The Competitive product price increase effective January 2017, the transfer of First-Class Mail Retail-Single-Piece from the Market Dominant category, and higher volume were the primary drivers of the additional revenue.

A summarization of the significant highlights of FY 2017 include:

- Market Dominant products average unit revenue decreased by 0.9 cents while average unit attributable cost increased by 1.0 cent.
- Competitive products attributable cost grew \$1.4 billion (11.2 percent), and contribution to institutional cost grew \$0.8 billion (13.3 percent). In FY 2017 Competitive products contributed \$6.8 billion (22.9 percent) to institutional costs.
- Competitive products' share of total Postal Service revenue, attributable cost, and contribution to institutional cost has nearly tripled since FY 2007.
- Accumulated net deficit is \$58.7 billion, resulting from several years of net losses starting in FY 2007.
- Financial sustainability continues to erode due to large personnel related liabilities and the slow replacement of fully depreciated capital assets. Overall financial condition is adversely impacted by insufficient current assets (44 percent of total assets) to cover current liabilities (72 percent of total liabilities).
- The Postal Service's FY 2017 working capital was negative \$49.8 billion.

The Commission's analysis of the Postal Service's financial position is primarily based upon the Postal Service's Form 10-K statements consisting of Income Statements, Balance Sheets, Statements of Changes in Net Deficiency, and Statements of Cash Flows for FY 2017 and FY 2016, and select key financial data for comparison purposes from the past ten years.

A complete copy of the Commission's *Financial Analysis* report may be found at [www.prc.gov](http://www.prc.gov).

The Postal Regulatory Commission is an independent federal agency that provides regulatory oversight over the U.S. Postal Service to ensure the transparency and accountability of the Postal Service and foster a vital and efficient universal mail system. The Commission is comprised of five Presidentially-appointed and Senate-confirmed Commissioners, each serving terms of six years. The Chairman is designated by the President. In addition to Chairman Robert G. Taub, the other commissioners are Vice Chairman Tony Hammond and Commissioners Mark Acton, and Nanci Langley. Follow the PRC on Twitter: [@PostalRegulator](https://twitter.com/PostalRegulator)

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