



7/26/2010 – Motion to Dismiss Fact Sheet

The proposed USPS rate hike does not meet the “exigent circumstances” clause laid out in the Postal Accountability and Enhancement Act of 2006.

Section 3622(d)(1)(E) of the PAEA allows the Postal Service to break the Consumer Price Index rate increase cap only in “extraordinary or exceptional circumstances” that would otherwise leave the Postal Service short of the funds needed to provide necessary services despite the “best practices for honest, efficient and economical management.”

The Postal Service argues that mail volume has declined rapidly due to the current economic recession.

Not true. The recession began in December 2007 and USPS mail volume has been falling steadily before and since. In FY 2007, the last complete fiscal year before the start of the current recession, the Postal Service still carried an infrastructure and workforce designed to handle 300 billion pieces of mail annually – almost 50 percent more than actual mail volume in the same year.

Furthermore, USPS’s private sector competitors responded quickly to the downturn by making the painful cost-cutting choices needed to break even.

**USPS, UPS and FedEx
Revenue and Expense Declines
(2009 vs. 2008)**

	Percent Change (2008 – 2009)	
	Revenues	Expenses
USPS	-9%	-3%
UPS	-12%	-9%
Federal Express	-16%	-14%

USPS, UPS and FedEx
Quarterly Changes In Revenue and Expenses
(2008, Q4 vs. 2009, Q1 and Q2)¹

	Percent Change (Q4 2008 – Q1 2009)	
	Revenues	Expenses
USPS	-11%	-3%
UPS	-14%	-11%
Federal Express	-15%	-9%

	Percent Change (Q1 2009 – Q2 2009)	
	Revenues	Expenses
USPS	-4%	-1%
UPS	-1%	-1%
Federal Express	-4%	-6%

The Postal Service argues that the loss of mail volume to the Internet was unforeseeable and dramatic enough to warrant an exigent increase.

Not true. Diversion of mail volume to the Internet has not been a sudden unexpected or purely a recent development. As the Postal Service recently acknowledged in Docket No. N2010-1, this trend has been growing steadily since 1988. There are numerous other findings that state mail will increasingly be diverted as a result of the Internet, including a Presidential Commission, an independent consulting firm, a Blue Ribbon Commission, and the authors of the PAEA.

The Postal Service argues it will be unable to continue operating without this rate increase.

Not true. The Postal Service is now performing considerably better than initially projected for FY 2010, with a return to volume growth expected for FY 2011. Additionally, the Postal Service's Preliminary Financial Information for May 2010 shows that:

- YTD Operating revenue 2.9% better than plan
- YTD volume 3.0% better than plan
- YTD net income nearly \$1.4 billion better than plan.

The Postal Service now projects that it will have \$1.3 billion in cash remaining at the end of FY 2010.

¹ For USPS and UPS, quarters begin in October for Q4, January for Q1, and April for Q2. For FedEx, quarters begin in September for Q4, December for Q1, and March for Q2.

The Postal Service argues that it has done everything it can to cut costs to this point.

Not true. The Postal Service maintains an inefficiently large network of undersized and obsolete mail processing facilities. “Without question, the Postal Service has far more facilities than it needs and those facilities it does require often are not used in the most efficient manner,” report of the President’s Commission, 2003. In addition, the Postal Service has an oversized work force, inflexible work rules and low productivity. As recently as August, 2009, Postmaster General Potter acknowledged that the size of the Postal Service workforce at the time 630,000 career employees was still approximately 80,000 positions above “optimum” level.