



Postal Regulatory Commission

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Press Release

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PRC Report Shows USPS Financial Concerns Persist Despite Improvements in Liquidity

Significant liabilities impact cash position

Washington, DC – Today the Postal Regulatory Commission (Commission) released its [Financial Analysis report](#), which analyzes the United States Postal Service's Fiscal Year (FY) 2016 overall financial position.

In FY 2016, the Postal Service generated an Operating Income of \$610 million despite an increase in operating expenses and the expiration of the exigent surcharge in April 2016. While this is the third consecutive year of net positive Operating Income, it is \$578 million less than the net operating income of \$1.2 billion recorded in FY 2015. Revenues from Market Dominant and Competitive products rate increases, the exigent price surcharge on Market Dominant products during the earlier half of the fiscal year, and continuing growth in Competitive products volume contributed to the net Operating Income. However, when all adjustments are included, the Postal Service incurred a net loss of \$5.6 billion, a \$531 million deterioration from FY 2015. The increase in the total net loss is largely driven by a \$1.5 billion increase in overall compensation and benefits costs and an increase in non-cash workers' compensation expense of \$906 million caused by a decrease in the discount rate.

At the end of FY 2016, net liabilities primarily consist of Retiree Health Benefits Fund (RHBF) accruals, workers' compensation liability, and the total net debt owed the Federal Financing Bank. Current liabilities, consisting largely of Retiree Health Benefits Fund (RHBF) obligations and short-term borrowing, contributed to a large portion (67.3 percent) of the \$81.2 billion in total liabilities. The Postal Service has not yet paid the RHBF statutory requirement for FY 2011 through FY 2016, which accounts for \$33.9 billion of current liabilities.

Additionally, at the end of FY 2016, the Postal Service recorded a \$55.9 billion net deficiency from several years of net losses starting in FY 2007. Although FY 2016, FY 2015 and FY 2014 had net operating income, the slow replacement of fully depreciated capital assets and high personnel related liabilities led to continued erosion of financial sustainability.

Significant highlights of FY 2016 include:

- Consumer price index (CPI) based price increases were not enough to offset revenue lost from declining volumes and the expiration of the exigent surcharge.
- Total Market Dominant revenue decreased 1.5 percent after two consecutive years of revenue growth.
- Market Dominant products unit revenue decreased by 0.4 cents while unit attributable cost remained nearly unchanged.
- Competitive products attributable cost grew 4.9 percent and institutional cost contribution grew 32.8 percent.
- Competitive products share of total Postal Service revenue, attributable cost, and contribution to institutional cost have more than doubled since FY 2007.
- Growth in Competitive products volume increased its share of total attributable cost in every cost segment, more than doubling since FY 2008.
- Total Factor Productivity (TFP) declined slightly for the first time since FY 2009.
- Net deficiency is \$55.9 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 (38 percent of total assets) to cover current liabilities (67 percent of total liabilities).
- Working capital is negative \$45.1 billion, largely due to the growth in employee-related liabilities, including the statutory accruals for payments into the RHBFB.
- Cash position is at the highest level since FY 2007 but significant balance sheet liabilities and off-balance sheet unfunded liabilities for pension and annuitant health benefits are affecting improvements in financial condition.

The Commission's analysis of the Postal Service's financial position is primarily based upon the Postal Service's Form 10-K statement consisting of: Income Statements, Balance Sheets, Statements of Changes in Net Deficiency, and Statements of Cash Flows.

A complete copy of the Commission's *Financial Analysis* report may be found at 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 Mark Acton and Commissioners Tony Hammond and Nanci Langley. Follow the PRC on [Twitter: @PostalRegulator](#)