

## Press Release

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### PRC Chairman Forecasts Postal Cash Crunch Without Legislative Relief

**Washington, DC** – Postal Regulatory Commission Chairman Dan G. Blair underscored the need for further cost reduction measures by the Postal Service at a hearing today before the House subcommittee which oversees the Postal Service.

Blair told Subcommittee Chairman Stephen F. Lynch and subcommittee members, “Today, the Postal Service is facing dire financial difficulties that are likely to worsen before they improve. The current economic crisis has substantially impacted Postal Service volumes and revenues.”

Blair explained to subcommittee members that the first quarter of FY 2009 showed volume declines of 9.3 percent for all classes of mail, and is continuing into calendar year 2009. The Service reported it lost almost three-quarters of a billion dollars in January as well.

“We expect it to report a further deteriorating condition for February with continued dramatic volume decreases as well as a significant decrease in revenues,” said Blair. “Commission analysis shows a cash shortfall could be expected by the end of the fiscal year. Based on information given the Commission, the Postal Service projects a \$12.4 billion net operating deficit for this fiscal year.”

Blair stated that internal cost reductions by the Service of \$5.9 billion would not be sufficient and further reductions are needed if the Postal Service is to meet its payroll and other expenses. The Postal Service’s request for authority to reduce delivery days has a potential annual savings of almost \$2 billion but carries the risk of harm to customers and some mailers may choose to mail less or leave the mailstream altogether. While the further relief sought by the Postal Service in seeking suspension of its retiree health premium payments would be almost \$2 billion for FY 09, more relief may be required to meet the Service’s cash flow needs this year, should current trends continue.

“The Commission’s role is to provide transparency into postal financial operations,” said Blair. “I hope today’s testimony sheds some light on the tough choices.” The Chairman’s testimony is available on the Commission’s website at [www.prc.gov](http://www.prc.gov).

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*The Postal Regulatory Commission is an independent federal agency 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 Blair, the other Commissioners are Vice Chairman Nanci Langley, Ruth Goldway, Tony Hammond, and Mark Acton.*