

# ARKANSAS LEGISLATIVE COUNCIL

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## MEMORANDUM

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**TO:** **Ms. Leisa Tolliver-Gay, Customer Relations Coordinator, U.S. Postal Service, Arkansas District**

**Mr. Stan Sowell, Manager, Post Office Operations, U.S. Postal Service, Arkansas District**

**Mr. John Confer, Acting Manager of Operations, U.S. Postal Service, Arkansas District**

**Mr. Cary Chism, Manager, Consumer & Industry Contact, U.S. Postal Service**

**FROM:** **Jillian E. Thayer, Legal Counsel to the Director**

**DATE:** **January 10, 2012**

**SUBJECT:** **Additional Questions from Members of the Legislative Council**

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Thank you for attending the December 16, 2011 meeting of the Arkansas Legislative Council and discussing with the members their concerns and responding to their questions regarding the closure of post offices in Arkansas. We appreciate the time you devoted to listening to the many questions and concerns expressed by the members. Attached for your information is a list of the questions from members to which you indicated you would have obtain the information and provide it at a later date.

The members of the Legislative Council requested that you relay their concerns and questions to the officials in the United States Postal Service who have the responsibility for making decisions regarding the closure of post offices and that you report back to the Legislative Council any response that may be forthcoming.

The next meeting of the Arkansas Legislative Council is scheduled for 9:00 a.m., Friday, January 20, 2012. Please contact me or Vicki Freeburn if you have any questions or if we may be of assistance.

JET:vjf  
Attachment

**Additional Questions and Concerns  
Expressed by Legislative Council Members  
During the December 16, 2011 Meeting**

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1. Is the Postal Service actively promoting the establishment of village post offices and what incentives are being offered to community businesses to provide a place for a village post office?
2. What is the timeline for establishing a village post office?
3. You indicated that Mary Boyette is the official in the Arkansas District who has authority for establishing a village post office. How may we contact Ms. Boyette?
4. What percentage of the Postal Service budget shortfall is due to the rural post offices and what percentage is due the issue of pre-funding health and retirement benefits for employees and retirees of the Postal Service?
5. Would using some federal stimulus funds to support the Postal Service be an option?

RESPONSE FROM THE U. S. POSTAL SERVICE

Response Received January 18, 2012

TO QUESTIONS FROM LEGISLATIVE COUNCIL MEMBERS  
DURING THE DECEMBER 16, 2011 MEETING

## **VILLAGE POST OFFICES (VPO)**

**The USPS introduced the Village Post Office July 26, 2011, as a potential replacement option for those communities without a postal retail office and also for communities affected by recent retail optimization efforts.**

**Village Post Offices are part of the Postal Service's "Approved Postal Provider" network – retail outlets for postal products and services that also include Contract Postal Units, Approved Shippers, Stamps on Consignment locations and Community Post Offices. Approved Postal Providers are operated by third parties and complement the Postal Service's own network by offering customers expanded retail access to postal products and services at convenient hours and locations.**

**As of Dec. 12, the USPS has received 521 VPO inquiries from interested vendors. Eight additional VPOs with contracts are poised to open this month, and 58 applicants are currently in negotiations or awaiting evaluations.**

**Unlike a Contract Postal Unit, a VPO does not have designated space within an existing enterprise. VPOs can be located in diverse venues such as businesses, libraries, town halls, and government centers.**

**VPOs offer a wide range of products and services most used by customers. Booklets of Forever stamps and Priority Mail Flat Rate Boxes and Envelopes are a few of the items available for purchase. These retail units may also provide Post Office Boxes either inside or outside the business.**

**VPOs will provide stability for the community by permitting retention of the town's ZIP Code and the town's name – for example Springfield Village Post Office.**

**Business establishments interested in applying for a contract with the Postal Service to start a Village Post Office in their local community should contact: [vpo.inquiry@usps.gov](mailto:vpo.inquiry@usps.gov) or call 888-711-7577.**

USPS is the cornerstone of a \$1 trillion industry, employing more than 8 million people. More than 90 percent of mail-related jobs are in private companies. The success of these firms and millions of employees depend on a healthy and thriving Postal Service.

In this time of serious financial concerns, the Postal Service is making tough decisions to keep the organization viable. The American people have been well served by the Postal Service since the nation's beginning. We plan to continue serving them well into the future.

There has been some confusion about the term "default." Statements in the media that the Postal Service may default on a congressionally-mandated \$5.5 billion payment to prefund retiree health benefits do not mean that the Postal Service is going out of business.

There is always going to be a powerful consumer need for the physical delivery of mail and packages.

While it is true that First-Class Mail continues to decline, Standard Mail, Shipping Services and International services are growing.

We are in the process of creating a Postal Service that is going to be much leaner and provide a much more efficient delivery platform — that will translate into a lower cost network over the long run.

We are committed to working with every stakeholder group to find long-term solutions to our ongoing financial issues.

Our negative financial results are not an indictment of the value of mail. We have every confidence that consumers will continue to go to their mailbox to read their mail. The value of hard copy in the hands of the consumer remains a vital and effective way to impact people today and will continue to do so in the future.

## **To Increase Revenue:**

We are going to have a much sharper focus in the marketplace. We are focusing on those things we do well and on our core function of delivering.

We are continually pursuing new revenue by creating innovative products and building upon existing services.

USPS is part of eCommerce growth trends. Retailers know that printed and mailed catalogs generate more online sales — and USPS is the B2C shipper of choice for thousands of online merchants. FedEx and UPS both use the Postal Service for last-mile deliveries in areas they don't serve — or only service by charging shipping surcharges.

Package shipping is a growth area. Even as other classes of mail are declining in volume, our Priority Mail package products are showing double-digit growth — even in the most recent quarter as the effects of the economy continue to be felt elsewhere.

We are focused on the notion of convenience, especially in our retail network. With our Village Post Office offering, we are expanding our network of 70,000 retail partner locations in order to provide convenient access to postal products and services in better locations with longer hours.

### **Why we are losing money:**

Postal Service financial losses are due entirely to our overly restrictive business model. Were it not for our mandated \$5.5 billion in annual retiree health benefits payments and our \$6.9 billion in FERS overpayments, we would have recorded a cumulative profit over the past four years. That is why the legislative reform we seek is so important.

The Postal Service is doing everything within its control to reduce costs and to grow revenue in order to keep mail affordable well into the future.

The Postal Service continues to cut costs significantly with initiatives to reduce the size of its workforce, the number of mail processing facilities and administrative overhead. Over the last four fiscal years, the Postal Service has reduced its size by 110,000 career positions and saved \$12 billion in costs.

Our employees have worked hard to bring about incredible cost savings while at the same time achieving record levels of service. In fact, something that often gets lost in the discussions about record volume and revenue losses is the point that, even with monumental expense reductions, we continue to maintain excellent service performance.

The bottom line is we're evolving. We're making our services more convenient and affordable for both large and smaller mailers, and we're positioning the entire mailing industry to engage people in both the physical and digital communications spectrums. We are on track to leverage our capacities against the communications preferences of today's consumers.

### **Why we are studying the closing of facilities:**

Since 2006, First-Class Mail has declined by 25 percent. During this same time period, deployment of state-of-the-art automated mail-processing equipment has enabled more efficient processing than ever before. In many cases, mailers are increasing sortation and entering mail into the postal system closer to its final delivery point, thereby bypassing many processing and transportation operations. These factors have created considerable excess processing capacity at many postal facilities where mail is canceled and sorted, which is why the Postal

Service is actively looking at opportunities to increase efficiency by consolidating mail processing operations

An Area Mail Processing (AMP) study is the consolidation of mail processing operations to improve operational efficiency and/or service. An AMP study may involve the consolidation of originating operations (canceling and sorting locally generated mail at a facility close to where the mail originates), destination operations (sorting and preparing mail received from more distant areas for local delivery) or both. The intent is to more efficiently use Postal Service equipment, facilities, staff work hours and transportation.

The list of facilities targeted for study can be found at <http://about.usps.com/news/electronic-press-kits/our-future-network/welcome.htm>.

### **How these closures will affect service:**

The Postal Service is proposing to modify existing service standards for First-Class Mail and Periodicals. The principal impact of the proposal, if adopted, would be to eliminate the expectation of overnight service.

### **Service Standards now:**

- Priority Mail: 1-3 days
- First-Class Mail: 1-3 days
- Periodicals: 1-9 days
- Package Services: 2-8 days
- Standard Mail: 3-10 days

### **Proposed change to Service Standards:**

- Priority Mail: 1-3 days
- First-Class Mail: 2-3 days
- Periodicals: 2-9 days
- Package Services: 2-8 days
- Standard Mail: 3-10 days

### **[www.uspseverywhere.com](http://www.uspseverywhere.com)**

This website allows customers to find more than 100,000 places to access Postal Service products and services through an easy-to-navigate, online, interactive map.

By typing in a ZIP Code or a City/State combination customers will find locations in their neighborhood or area to purchase postal products and services. Each location designates the options available by use of an icon.

Most of the 100,00 locations sell only stamps. Stamp purchases represent more than 85 percent of the Postal Service's retail sales.

The USPS is working with these businesses like grocery stores to add customer convenience. By teaming up with the thousands of new stores, customers can take care of postal business at places where they already shop.

### **Approved Shipper – Office Depot:**

Customers can now drop packages off at Office Depot stores and not have to go to a Post Office

### **Carrier pick-up:**

The Postal Service will pick up packages at the home or office through a free package pickup service available online. Simply go to <http://carrierpickup.usps.com/> and schedule the pick up.

### **CLOSING AND CONSOLIDATING POST OFFICES**

The process for closing an independent Post Office permanently – a “discontinuance” in the words of the law – or consolidating it with another Post Office is established in Title 39, United States Code. Situations such as lease expiration or a postmaster vacancy in a small Post Office permit a review of that Post Office's business activity to determine if a comparable level of service can be provided by other means. These include options such as the establishment of a contractor-operated Community Post Office (CPO) or the extension or establishment of rural delivery service from another office.

The USPS recognizes the importance of local postal facilities within the communities we serve. When considering a closure or consolidation of postal facilities, we carefully follow existing procedures that allow community members to weigh in on the decision.

The law provides that customers of an office considered for closing be given the opportunity to share their concerns and views both on the action and on mail service alternatives.

Postal management actively solicits and encourages customer participation through the use of customer surveys and public meetings. Under current regulations, a proposal to close a Post Office must be posted publicly for 60 days. After consideration of public comment on the proposal, a final determination is posted for 30 days. Affected customers have the right to appeal a final determination to close or consolidate an independent Post Office to the Postal Regulatory Commission (PRC).



Title 39, U.S. Code, requires that any decision to close or consolidate a Post Office be based on certain criteria, including effect on the community served; the effect on Post Office employees; the economic savings to the USPS; and other factors. In addition, certain mandatory procedures apply:

- The public must be given 60 days' advance notice.
- After public comments are received and taken into account, any final determination to close or consolidate a Post Office must be made in writing and must include findings covering all the required considerations.
- The written determination must be made available to persons served by the Post Office at least 60 days before the discontinuance takes effect.
- Within the first 30 days after the written determination is made available, any person regularly served by the affected Post Office may appeal the decision to the PRC.

The PRC may affirm the USPS's determination or return the matter for further consideration, but may not modify the determination. The Commission is required to make a determination on the appeal no later than 120 days after receiving the appeal.

In many cases, if the Post Office is closed, the community's identity as a postal address is preserved and the ZIP Code should be preserved, if practical.

### **Emergency Suspension**

A USPS District Manager may suspend Post Office operations when an emergency or another factor requires such action. Circumstances that justify a suspension include but are not limited to:

- a natural disaster;
- the termination of a lease when other adequate quarters are not available;
- lack of qualified employees for the office;
- severe damage to or destruction of the office; and
- lack of adequate measures to safeguard the office or its revenue.
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The District Manager must provide written notice of any suspension to the Vice President of Delivery and Retail at USPS Headquarters. If the District Manager proposes to discontinue a suspended Post Office rather than restore operations, the procedures outlined above must be followed. All of the required notices and other documents must be posted or kept in the Post Office to be discontinued or at offices temporarily serving the customers of the suspended Post Office.

### **Other actions:**

In addition to closures and consolidations of Post Offices, the USPS is evaluating the consolidation of some stations and branches in larger cities and suburban areas. This process also allows for a public comment period.

The USPS is considering moving letter carriers from one facility to another. These moves are transparent to customers and do not involve relocation of retail or post office boxes.

The USPS follows all collective bargaining processes when considering movement of personnel from one location to another.

## **National Overview**

### **Background.**

- The USPS delivers to nearly 151M homes, businesses and post office boxes.
- There were more than 735,000 new delivery points added last year, alone
- The USPS delivers nearly 40% of the world's mail, and makes up part of a \$7 Trillion mailing industry (contributes 7% of the nation's Gross Domestic Product)
- Since 2000 the USPS has reduced our workforce by approximately 200,000 employees.
- The USPS has nearly 32,000 postal-managed retail offices, the largest delivery and retail network in the nation.
- Customers have choices on where to conduct their postal businesses; VPO, CPU, Walgreen's Kroger, Office Depot, some banking ATMs, online via USPS.com, thru their rural mail carrier, etc.
- Nearly 35% of all postal retail transactions occur in alternate retail locations, as listed above.

### **Financial Crisis.**

Challenges and the projections for the future are bleak. Challenges are due, in part, to the rapid adoption of email, texting, online bill payment, online receipt of bills and our economic recession. From a postal standpoint:

- Total mail volume has declined in 13 out of the last 15 quarters.
- Mail volume has declined by 43 billion pieces in the last 5 years, from 231B in 2006 to 171B in 2010.
- In 2010 alone, our total volume dropped 20B pieces.
- Our most profitable segment, First Class Mail, has seen volume declines in the last 15 consecutive quarters.
- Single piece first class mail is down 30% in the last 4 years and down by 50% from 10 years ago.
- After 9 consecutive quarters with volume losses, in the most recent 6 quarters we've seen some growth in Standard Mail
- Unfortunately, it takes 3 pieces of Standard Mail to equal the profits we make from 1 single piece of First Class Mail
- Customer visits in our retail units have declined; from 1.3B customers in 2006 to 1.1B in 2010.
- Retail revenue also has declined, from \$14.5B in 2006 to \$12.5B last year.

- In 2000 only 5% of customers paid their bills online; in 2006 that jumped up to 50%; that percentage is much higher, now

### **Cost Cutting Activities.**

Activities have been going on for some time, to cut costs whenever possible. Examples include:

- 167 processing facilities have been consolidated from 2005-2011, resulting in 300M work hours saved
- Carrier routes have been adjusted 14,000 in the last 5 years, with 4,500 of those in 2011
- Area and district offices have been consolidated with workload absorbed and staffing eliminated
- HQ staffing reductions
- Selling unused and under-used facilities
- Freezing executive salaries

### **Optimization Process.**

The process for considering offices for consolidation or closure includes:

- Current office needs
- Proximity of other postal locations
- Proximity to alternate access options
- The structural condition of the office
- Lease terms if property is leased
- Real estate market if property is owned
- Retail revenue transactions
- Community input, impact on customer and community postal needs
- Cost savings
- Environmental impact
- The long-term needs of the Postal Service

The reviews are conducted by local postal management teams; this is a local process using local knowledge. The review process can run from 6 months to 1 year after the study proposal has been posted in the local post office being reviewed.

Don't look at the Postal Service and see only brick and mortar Post Offices. Look online at *usps.com*. Look at mobile devices. Look for Postal Service products at other retail outlets, grocery stores and pharmacies. Look for letter carriers to pick up packages at homes and offices. Look for expanded access to products and services in your neighborhood. Customer needs have changed dramatically. They receive and pay their bills online and communicate by email and text message. They demand easier, more convenient access to Postal products and services when and where they want them — online, on their smart phones and at the stores they frequent.

- 31,871- Number of postal retail outlets nationwide
- 70,000- Number of other locations to purchase postal products and services nationwide
- 85 Percent of retail transactions that involve purchasing postage stamps
- 14 Percent of retail transactions that involve sending packages
- 35 Percent of postal retail revenue that comes from expanded access locations
- 2,500- Number of Automated Postal Centers (APCs) — self-service kiosks
- 240,000- Average dollar amount generated by each APC in 2010
- 19,000- Number of Post Offices that generated less revenue than an APC in 2010
- 24- Number of hours at *usps.com* and on iPhone/Droid smart phone postal apps
- 3,800- Number of Postal Service-branded independently managed retail outlets nationwide
- 6,000- Number of Postal Service retail locations that accept passport applications
- 7,200- Number of Walgreens locations to purchase postage stamps
- 3,665- Number of Walmart locations to purchase postage stamps
- 1,130- Number of Office Depot locations to purchase postal products and services
- 600- Number of Sam's Club locations to purchase postage stamps
- 420- Number of Costco locations to purchase postage stamps
- 600- Number of Staples locations to purchase postage stamps
- 945- Number of Safeway locations to purchase postage stamps

Below is an excerpt from the Postal Accountability and Enhancement Act – Public Law 109-435-Dec.20, 2006

You can find a full copy of the law at <http://www.prc.gov/prc-docs/aboutprc/paea/PL109-435PAEA.pdf>

Additional information about the PAEA can be found at <http://about.usps.com/transforming-business/postal-act-2006.htm>

# **PUBLIC LAW 109–435—DEC. 20, 2006 120**

## **STAT. 3249**

### **TITLE VIII—POSTAL SERVICE RETIREMENT AND HEALTH BENEFITS FUNDING**

#### **SEC. 801. SHORT TITLE.**

This title may be cited as the “Postal Civil Service Retirement and Health Benefits Funding Amendments of 2006”.

#### **SEC. 802. CIVIL SERVICE RETIREMENT SYSTEM.**

(a) IN GENERAL.—Chapter 83 of title 5, United States Code, is amended—  
(1) in section 8334(a)(1)(B), by striking clause (ii) and inserting the following:

“(ii) In the case of an employee of the United States Postal Service, no amount shall be contributed under this subparagraph.”; and

(2) by amending section 8348(h) to read as follows:

“(h)(1) In this subsection, the term ‘Postal surplus or supplemental liability’ means the estimated difference, as determined by the Office, between—

“(A) the actuarial present value of all future benefits payable from the Fund under this subchapter to current or former employees of the United States Postal Service and attributable to civilian employment with the United States Postal Service; and

“(B) the sum of—

“(i) the actuarial present value of deductions to be withheld from the future basic pay of employees of the United States Postal Service currently subject to this subchapter under section 8334; “(ii) that portion of the Fund balance, as of the date the Postal surplus or supplemental liability is determined, attributable to payments to the Fund by the United States Postal Service and its employees, minus benefit payments attributable to civilian employment with the United States Postal Service, plus the earnings on such amounts while in the Fund; and  
“(iii) any other appropriate amount, as determined by the Office in accordance with generally accepted actuarial practices and principles.

“(2)(A) Not later than June 15, 2007, the Office shall determine the Postal surplus or supplemental liability, as of September 30, 2006. If that result is a surplus, the amount of the surplus shall be transferred to the Postal Service Retiree Health Benefits Fund established under section 8909a by June 30, 2007.

“(B) The Office shall redetermine the Postal surplus or supplemental liability as of the close of the fiscal year, for each fiscal year beginning after September 30, 2007, through the fiscal year ending September 30, 2038. If the result is a surplus, that amount shall remain in the Fund until distribution is authorized

under subparagraph (C). Beginning June 15, 2017, if the result is a supplemental liability, the Office shall establish an amortization schedule, including a series of annual installments commencing on September 30 of the subsequent fiscal year, which provides for the liquidation of such liability by September 30, 2043.

Effective date.

Deadline.

Redetermination  
period.

Deadlines.

5 USC 101 note.

Postal Civil Service Retirement and Health Benefits  
Funding Amendments of 2006.

120 STAT. 3250 PUBLIC LAW 109-435—DEC. 20, 2006

“(C) As of the close of the fiscal years ending September 30, 2015, 2025, 2035, and 2039, if the result is a surplus, that amount shall be transferred to the Postal Service Retiree Health Benefits Fund, and any prior amortization schedule for payments shall be terminated.

“(D) Amortization schedules established under this paragraph shall be set in accordance with generally accepted actuarial practices and principles, with interest computed at the rate used in the most recent valuation of the Civil Service Retirement System.

“(E) The United States Postal Service shall pay the amounts so determined to the Office, with payments due not later than the date scheduled by the Office.

“(3) Notwithstanding any other provision of law, in computing the amount of any payment under any other subsection of this section that is based upon the amount of the unfunded liability, such payment shall be computed disregarding that portion of the unfunded liability that the Office determines will be liquidated by payments under this subsection.”.

(b) CREDIT ALLOWED FOR MILITARY SERVICE.—In the application of section 8348(g)(2) of title 5, United States Code, for the fiscal year 2007, the Office of Personnel Management shall include, in addition to the amount otherwise computed under that paragraph, the amounts that would have been included for the fiscal years 2003 through 2006 with respect to credit for military service of former employees of the United States Postal Service as though the Postal Civil Service Retirement System Funding Reform Act of 2003 (Public Law 108-18) had not been enacted, and the Secretary of the Treasury shall make the required transfer to the Civil Service Retirement and Disability Fund based on that amount.

(c) REVIEW.—

(1) IN GENERAL.—

(A) REQUEST FOR REVIEW.—Notwithstanding any other provision of this section (including any amendment made by this section), any determination or redetermination made by the Office of Personnel Management under this section

(including any amendment made by this section) shall, upon request of the United States Postal Service, be subject to a review by the Postal Regulatory Commission under this subsection.

(B) REPORT.—Upon receiving a request under subparagraph

(A), the Commission shall promptly procure the services of an actuary, who shall hold membership in the American Academy of Actuaries and shall be qualified in the evaluation of pension obligations, to conduct a review in accordance with generally accepted actuarial practices and principles and to provide a report to the Commission containing the results of the review. The Commission, upon determining that the report satisfies the requirements of this paragraph, shall approve the report, with any comments it may choose to make, and submit it with any such comments to the Postal Service, the Office of Personnel Management, and Congress.

(2) RECONSIDERATION.—Upon receiving the report from the Commission under paragraph (1), the Office of Personnel Management shall reconsider its determination or redetermination in light of such report, and shall make any appropriate reports adjustments. The Office shall submit a report containing the 5 USC 8348 note.

PUBLIC LAW 109—435—DEC. 20, 2006 120 STAT. 3251 results of its reconsideration to the Commission, the Postal Service, and Congress.

### **SEC. 803. HEALTH INSURANCE.**

(a) IN GENERAL.—

(1) FUNDING.—Chapter 89 of title 5, United States Code, is amended—

(A) in section 8906(g)(2)(A), by striking “shall be paid by the United States Postal Service.” and inserting “shall through September 30, 2016, be paid by the United States Postal Service, and thereafter shall be paid first from the Postal Service Retiree Health Benefits Fund up to the amount contained in the Fund, with any remaining amount paid by the United States Postal Service.”; and

(B) by inserting after section 8909 the following: “**§ 8909a. Postal Service Retiree Health Benefit Fund**

“(a) There is in the Treasury of the United States a Postal Service Retiree Health Benefits Fund which is administered by the Office of Personnel Management.

“(b) The Fund is available without fiscal year limitation for payments required under section 8906(g)(2)(A).

“(c) The Secretary of the Treasury shall immediately invest, in interest-bearing securities of the United States such currently available portions of the Fund as are not immediately required for payments from the Fund. Such investments shall be made in the same manner as investments for the Civil Service Retirement and Disability Fund under section 8348.

“(d)(1) Not later than June 30, 2007, and by June 30 of each succeeding year, the Office shall compute the net present value of the future payments required under section 8906(g)(2)(A) and attributable to the service of Postal Service employees during the most recently ended fiscal year.

“(2)(A) Not later than June 30, 2007, the Office shall compute, and by June 30 of each succeeding year, the Office shall recompute the difference between—

“(i) the net present value of the excess of future payments required under section 8906(g)(2)(A) for current and future United States Postal Service annuitants as of the end of the fiscal year ending on September 30 of that year; and

“(ii)(I) the value of the assets of the Postal Retiree Health Benefits Fund as of the end of the fiscal year ending on September 30 of that year; and

“(II) the net present value computed under paragraph (1).

“(B) Not later than June 30, 2017, the Office shall compute, and by June 30 of each succeeding year shall recompute, a schedule including a series of annual installments which provide for the liquidation of any liability or surplus by September 30, 2056, or within 15 years, whichever is later, of the net present value determined under subparagraph (A), including interest at the rate used in that computation.

“(3)(A) The United States Postal Service shall pay into such Fund—

“(i) \$5,400,000,000, not later than September 30, 2007;

“(ii) \$5,600,000,000, not later than September 30, 2008;

“(iii) \$5,400,000,000, not later than September 30, 2009;

“(iv) \$5,500,000,000, not later than September 30, 2010;

Deadlines.

120 STAT. 3252 PUBLIC LAW 109—435—DEC. 20, 2006

“(v) \$5,500,000,000, not later than September 30, 2011;

“(vi) \$5,600,000,000, not later than September 30, 2012;

“(vii) \$5,600,000,000, not later than September 30, 2013;

“(viii) \$5,700,000,000, not later than September 30, 2014;

“(ix) \$5,700,000,000, not later than September 30, 2015;

and

“(x) \$5,800,000,000, not later than September 30, 2016.

“(B) Not later than September 30, 2017, and by September 30 of each succeeding year, the United States Postal Service shall pay into such Fund the sum of—

“(i) the net present value computed under paragraph (1); and

“(ii) any annual installment computed under paragraph (2)(B).

“(4) Computations under this subsection shall be made consistent with the assumptions and methodology used by the Office for financial reporting under subchapter II of chapter 35 of title 31.

“(5)(A)(i) Any computation or other determination of the Office under this subsection shall, upon request of the United States Postal Service, be subject to a review by the Postal Regulatory Commission under this paragraph.



“(ii) Upon receiving a request under clause (i), the Commission shall promptly procure the services of an actuary, who shall hold membership in the American Academy of Actuaries and shall be qualified in the evaluation of healthcare insurance obligations, to conduct a review in accordance with generally accepted actuarial practices and principles and to provide a report to the Commission containing the results of the review. The Commission, upon determining that the report satisfies the requirements of this subparagraph, shall approve the report, with any comments it may choose to make, and submit it with any such comments to the Postal Service, the Office of Personnel Management, and Congress.

“(B) Upon receiving the report under subparagraph (A), the Office of Personnel Management shall reconsider its determination or redetermination in light of such report, and shall make any appropriate adjustments. The Office shall submit a report containing the results of its reconsideration to the Commission, the Postal Service, and Congress.

“(6) After consultation with the United States Postal Service, the Office shall promulgate any regulations the Office determines necessary under this subsection.”.

(2) TECHNICAL AND CONFORMING AMENDMENT.—The table of sections for chapter 89 of title 5, United States Code, is amended by inserting after the item relating to section 8909 the following:

“8909a. Postal Service Retiree Health Benefits Fund.”.

(b) REVIEW.—

(1) IN GENERAL.—

(A) REQUEST FOR REVIEW.—Any regulation established under section 8909a(d)(5) of title 5, United States Code (as added by subsection (a)), shall, upon request of the United States Postal Service, be subject to a review by the Postal Regulatory Commission under this paragraph.

5 USC 8909a.

Regulations.

Reports.

Reports.

PUBLIC LAW 109–435—DEC. 20, 2006 120 STAT. 3253

(B) REPORT.—Upon receiving a request under subparagraph

(A), the Commission shall promptly procure the services of an actuary, who shall hold membership in the American Academy of Actuaries and shall be qualified in the evaluation of healthcare insurance obligations, to conduct a review in accordance with generally accepted actuarial practices and principles and to provide a report to the Commission containing the results of the review. The Commission, upon determining that the report satisfies the requirements of this paragraph, shall approve the report, with any comments it may choose to make, and submit it with any such comments to the Postal Service, the Office of Personnel Management, and Congress.

(2) RECONSIDERATION.—Upon receiving the report under paragraph (1), the Office of Personnel Management shall reconsider its determination or redetermination in light of such report, and shall make any appropriate adjustments. The Office shall submit a report containing the results of its reconsideration to the Commission, the Postal Service, and Congress.

**SEC. 804. REPEAL OF DISPOSITION OF SAVINGS PROVISION.**

(a) IN GENERAL.—Section 3 of the Postal Civil Service Retirement System Funding Reform Act of 2003 (Public Law 108–18) is repealed.

(b) SAVINGS.—Savings accrued to the Postal Service as a result of enactment of Public Law 108–18 and attributable to fiscal year 2006 shall be transferred to the Postal Service Retiree Health Benefits Fund established under section 8909a of title 5, United States Code, as added by section 803 of this Act.

**SEC. 805. EFFECTIVE DATES.**

(a) IN GENERAL.—Except as provided under subsection (b), this title shall take effect on October 1, 2006.

(b) TERMINATION OF EMPLOYER CONTRIBUTION.—The amendment made by paragraph (1) of section 802(a) shall take effect on the first day of the first pay period beginning on or after October 1, 2006.

# Financial History Summary

## Financial history summary

dollars in millions					
	2011	2010	2009	2008	2007
Operating Results					
Operating Revenue	\$ 65,711	\$ 67,052	\$ 68,090	\$ 74,932	\$ 74,778
Operating Expenses					
Compensation and benefits	48,310	48,909	50,883	52,358	53,306
Retiree health benefits*	2,441	7,747	3,390	7,407	10,084
All other operating expenses	19,883	18,770	17,557	17,973	16,715
Total Operating Expenses*	\$ 70,634	\$ 75,426	\$ 71,830	\$ 77,738	\$ 80,105
Operating Loss	\$ (4,923)	\$ (8,374)	\$ (3,740)	\$ (2,806)	\$ (5,327)
Net Loss	\$ (5,067)	\$ (8,505)	\$ (3,794)	\$ (2,806)	\$ (5,142)
P.L. 109-435 Payment to PSRHB*	\$ —	\$ 5,500	\$ 1,400	\$ 5,600	\$ 8,358
Workers' Compensation Expenses	\$ 3,672	\$ 3,566	\$ 2,223	\$ 1,227	\$ 880
Financial Position					
Cash and cash equivalents	\$ 1,488	\$ 1,161	\$ 4,089	\$ 1,432	\$ 899
Property and equipment, net	20,337	21,595	22,680	23,193	23,596
All other assets	1,588	1,570	1,349	1,361	1,352
Total Assets	\$ 23,413	\$ 24,326	\$ 28,118	\$ 25,986	\$ 25,847
Total Debt	\$ 13,000	\$ 12,000	\$ 10,200	\$ 7,200	\$ 4,200
Net Capital					
Capital contributions of the U.S. government	\$ 3,132	\$ 3,132	\$ 3,087	\$ 3,034	\$ 3,034
Deficit since 1971 reorganization	(22,072)	(17,005)	(8,500)	(4,706)	(1,900)
Total Net (Deficiency) Capital	\$ (18,940)	\$ (13,873)	\$ (5,413)	\$ (1,672)	\$ 1,134
* P.L. 112-33 had the net impact of a \$5.5 billion reduction of expenses in 2011. P.L. 111-68 had a net impact of a \$4.0 billion reduction of expenses in 2009. P.L. 109-435 had a net impact of a \$6.8 billion increase of expenses in 2007 (\$8.4 billion in additional retiree health benefits less \$1.6 billion in CSRS savings).					

For more information about United States Postal Service financial statements and copies of financial reports, please visit <http://about.usps.com/who-we-are/financials/welcome.htm>.

## Mailing and Shipping statistics

### Mailing and Shipping statistics

(in millions of units indicated, unaudited)	2011	2010	2009	2008	2007
First-Class Mail					
Revenue	\$ 32,179	\$ 34,153	\$ 35,883	\$ 38,179	\$ 38,404
Pieces, number	73,521	78,514	83,766	91,697	96,297
Weight, pounds	3,726	3,699	3,683	4,165	4,401
Standard Mail					
Revenue	\$ 17,826	\$ 17,331	\$ 17,345	\$ 20,586	\$ 20,779
Pieces, number	84,692	82,525	82,448	99,084	103,516
Weight, pounds	9,092	9,346	9,279	11,017	11,820
Periodicals					
Revenue	\$ 1,821	\$ 1,879	\$ 2,038	\$ 2,295	\$ 2,188
Pieces, number	7,077	7,269	7,901	8,605	8,796
Weight, pounds	2,725	2,778	3,018	3,677	3,896
Package Services					
Revenue	\$ 1,606	\$ 1,544	\$ 1,684	\$ 1,845	\$ 1,812
Pieces, number	675	657	731	846	915
Weight, pounds	1,784	1,742	1,873	2,155	2,297
U.S. Postal Service					
Pieces, number	434	438	455	824	1,008
Weight, pounds	149	133	126	149	141
Free Matter for the Blind					
Pieces, number	62	68	62	72	72
Weight, pounds	30	32	30	34	34
Total Mailing Services Mail					
Revenue	\$ 53,432	\$ 54,907	\$ 56,950	\$ 62,905	\$ 63,183
Pieces, number	166,461	169,471	175,363	201,128	210,604
Weight, pounds	17,506	17,730	18,009	21,197	22,589
Ancillary and Special Services					
Registered Mail					
Revenue	\$ 45	\$ 48	\$ 50	\$ 57	\$ 53
Number of articles	3	3	3	4	4
Certified Mail					
Revenue	\$ 709	\$ 791	\$ 731	\$ 718	\$ 698
Number of articles	251	283	267	269	280
Insurance					
Revenue	\$ 117	\$ 128	\$ 129	\$ 145	\$ 157
Number of articles	35	40	44	52	57
Delivery Receipt Services					
Revenue	\$ 729	\$ 788	\$ 717	\$ 704	\$ 640

Number of articles	1,678	1,595	1,284	1,192	1,098
Money Orders					
Revenue	\$ 172	\$ 182	\$ 190	\$ 205	\$ 211
Face value of issues (non-add)	22,382	22,792	23,839	25,709	27,194
Number of articles	116	123	135	149	163
Box Rent Revenue & Caller Services	\$ 911	\$ 928	\$ 929	\$ 897	\$ 837
Stamped Envelope and Card Revenue	\$ 12	\$ 15	\$ 17	\$ 24	\$ 17
Other Mailing Services Revenue*	\$ 590	\$ 801	\$ 123	\$ 895	\$ 1,108
Total Ancillary & Special Services Revenue	\$ 3,285	\$ 3,681	\$ 2,886	\$ 3,645	\$ 3,721
Total Mailing Services Revenue	\$ 56,717	\$ 58,588	\$ 59,836	\$ 66,550	\$ 66,904
Shipping Services					
Revenue	\$ 8,831	\$ 8,317	\$ 8, 112	\$ 8, 355	\$ 7, 852
Pieces, number	1,473	1,389	1,381	1,575	1,630
Weight, poundss	3,354	2,958	2,775	3,040	3,054
Shipping Services					
Ancillary & Special Services Revenue	\$ 163	\$ 147	\$ 142	\$ 27	\$ 23
Total Shipping Services Revenue	\$ 8,994	\$ 8,464	\$ 8,254	\$ 8,382	\$ 7,875
Postal Service Totals					
Revenue	\$ 62,263	\$ 63, 224	\$ 65, 062	\$ 71, 261	\$ 71, 035
Pieces, number	167,934	170,860	176,744	202,703	212,234
Weight, pounds	20,860	20,688	20,784	24,237	25,643
Total Ancillary & Special Services Revenue	\$ 3,448	\$ 3,828	\$ 3,028	\$ 3,671	\$ 3,744
Total Operating Revenue	\$ 65,711	\$ 67,052	\$ 68,090	\$ 74,932	\$ 74,779
<p>* Includes a \$298 million, a \$103 million, a \$655 million, and a \$230 million increase to the deferred revenue-prepaid postage liability in 2011, 2010, 2009, and 2008, respectively. These amounts, which primarily include changes in estimates, are recorded in the other mailing services revenue category so as to not distort the period-over-period volume statistics (Pieces, number) by service line.</p> <p>Note: In 2011, the PRC approved a new methodology for allocating revenue across products. This new methodology was applied to revenue and volume data relating to 2011 and 2010. These reclassifications did not impact total mail revenue and volume for 2009. The new methodology does not change total revenue.</p>					

## Post Office and delivery points

### Post Office and delivery points

(in actual units indicated, unaudited)	2011	2010	2009	2008	2007
Post Offices, Stations, and Branches					
Postal-Managed					
Post Offices	26,927	27,077	27,161	27,232	27,276
Classified stations, branches, and carrier annexes	5,219	5,451	5,501	5,509	5,419
Total Postal-Managed	32,146	32,528	32,662	32,741	32,695
Contract Postal Units	2,904	2,931	3,037	3,148	3,131
Community Post Offices	706	763	797	834	895
Total Offices, Stations, and Branches	35,756	36,222	36,496	36,723	36,721
Residential Delivery Points					
City delivery	80,792,112	80,531,231	80,187,505	79,848,415	79,470,894
Rural	39,067,740	38,638,280	38,264,946	37,684,158	37,022,488
PO Box	15,891,349	15,739,698	15,601,883	15,639,031	15,635,480
Highway contract	2,639,061	2,607,138	2,576,166	2,516,783	2,473,323
Total Residential Delivery	138,390,262	137,516,347	136,630,500	135,688,387	134,602,185
Business Delivery Points					
City delivery	7,487,332	7,457,500	7,483,461	7,436,965	7,411,582
Rural	1,468,861	1,453,292	1,439,266	1,407,942	1,360,478
PO Box	4,072,664	4,355,674	4,489,688	4,587,454	4,548,973
Highway contract	72,872	72,648	72,966	71,538	69,304
Total Business Delivery	13,101,729	13,339,114	13,485,381	13,503,899	13,390,337
Total Delivery Points	151,491,991	150,855,461	150,115,881	149,192,286	147,992,522
Change in delivery points	636,530	739,580	923,595	1,199,764	1,818,326

## Employees

Employees					
(actual numbers, unaudited)	2011	2010	2009	2008	2007
Career Employees					
Headquarters and HQ Related Employees					
Headquarters	2,745	2,937	2,811	2,892	2,856
Headquarters – Field Support Units	4,213	4,876	4,455	4,429	4,527
Inspection Service – Field	2,398	2,435	2,617	2,890	2,991
Inspector General	1,123	1,108	1,155	1,159	1,147
Total HQ and HQ Related Employees	10,479	11,356	11,038	11,370	11,521
Field Employees					
Area Offices	809	1,079	1,047	1,316	1,281
Postmasters/Installation Heads	22,212	23,111	23,672	25,250	25,285
Supervisors/Managers	25,083	27,792	28,812	31,787	32,635
Professional Administration and Technical Personnel	4,571	5,926	6,460	8,010	8,058
Clerks/Nurses	149,562	157,168	177,842	194,907	204,305
Mail Handlers	46,596	48,650	52,954	55,812	57,882
City Delivery Carriers	183,774	192,180	200,658	211,661	222,132
Motor Vehicle Operators	7,064	7,413	8,113	8,558	8,726
Rural Delivery Carriers – Full-time	66,186	66,845	67,749	68,900	67,584
Building and Equipment Maintenance Personnel	36,032	37,403	39,531	40,248	39,948
Vehicle Maintenance Employees	4,883	4,985	5,252	5,419	5,405
Total Field Employees	546,772	572,552	612,090	651,868	673,241
Total Career Employees	557,251	583,908	623,128	663,238	684,762
Noncareer Employees					
Casuals	2,606	6,503	4,271	12,000	22,078
Postal Support Employees	10,471	0	0	0	0
Nonbargaining Temporary	2,259	1,910	1,659	1,119	1,244
Rural Part-Time: Subs/RCA/RCR/AUX	50,349	51,801	54,529	58,072	60,444
Postmaster Relief and Leave Replacements	9,138	11,350	11,477	12,327	12,169
Transitional Employees	13,876	16,215	17,018	18,332	5,232
Total Noncareer Employees	88,699	87,779	88,954	101,850	101,167
Total Employees	645,950	671,687	712,082	765,088	785,929
Note: The Postal Support Employees category was newly created in 2011.					

You can find a full copy of the law at <http://www.prc.gov/prc-docs/aboutprc/paea/PL109-435PAEA.pdf> Additional information about the PAEA can be found at <http://about.usps.com/transforming-business/postal-act-2006.htm>

USPS Annual Report 2011

<http://about.usps.com/publications/annual-report-comprehensive-statement-2011/html/welcome.htm>