

## **U.S. Postal Service Revenue Slipped in Holiday Quarter; E-commerce deliveries were up, but first-class volume dropped**

<https://www.wsj.com/articles/u-s-postal-service-revenue-slipped-in-holiday-quarter-1486665937> (paywall)

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The U.S. Postal Service reported a drop in revenue for the quarter ended Dec. 31 as a continuing decline in first-class mail volume and the expiration of a rate increase offset the surge in e-commerce parcels.

Postmaster General Megan Brennan on Thursday said the Postal Service delivered more than 800 million packages during the peak holiday period, up 15% from last year as more people shop online.

That increased revenue wasn't enough to offset the steady decrease in first-class mail, which logged a 3.3% decline in volume. After a price increase expired in April, the Postal Service raised the price of first-class stamps by 1 cent last month.

Overall, revenue fell 0.8% to \$19.1 billion.

The report comes as Congress weighs the latest version of the Postal Reform Act that seeks to stabilize the Postal Service's finances, which are suffering due to obligations to retired workers, including health-care costs.

A bipartisan bill has been introduced in the House, with support from the Postal Service and four unions, to address some of the key financial strains, including requiring eligible Postal Service retirees and family members to automatically enroll in Medicare programs.

Ms. Brennan said the proposed legislation would generate total savings of \$26 billion over the next five years. A pricing review by the Postal Regulatory Commission would also help the Postal Service "return to financial stability," she said on a conference call.

For the December quarter, net income rose to \$1.4 billion from \$307 million a year earlier. Excluding special items, like prepaying retirees' health benefits and certain changes in workers' compensation expenses, operating income fell to \$522 million from nearly \$1.3 billion last year.

The Postal Service is competing with companies like United Parcel Service Inc. and FedEx Corp. to handle the growing number of packages shipped due to the rapid growth in e-commerce.

While those businesses are growing, carriers are struggling to keep up with the added costs of handling those packages.

The Postal Service plans to spend about \$1.4 billion for the rest of this year on capital expenditures, including package sorting equipment, and another \$7.5 billion between 2018 and 2021 when it will add a new fleet of delivery vehicles.

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