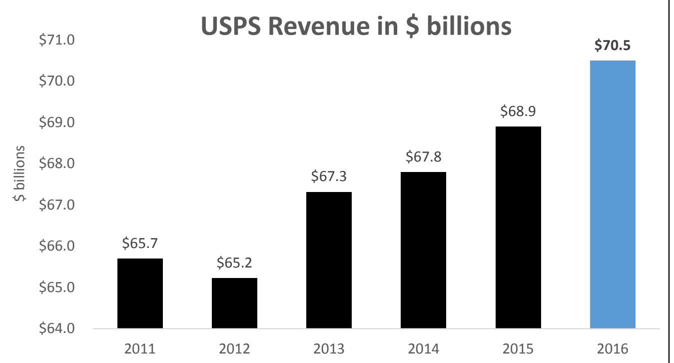
USPS posts $610M operating profit in FY '16



Note: 2016 revenue above does not include $1.1 billion of Forever stamp deferred revenue, which was generated over multiple years. This is real revenue, but not all attributable to 2016 sales.

On Nov. 15, the U.S. Postal Service released its Fiscal Year 2016 financial report, which showed that the agency had made a $610 million operating profit for the period from Oct. 1, 2015, through Sept. 30, 2016.

"USPS now has three years of operating in the black," NALC President Fredric Rolando said in a statement, adding that this demonstrates "the strength of the postal turnaround."

In fact, the total USPS operating profit since 2013 now stands at $3.2 billion, the president noted. "That's impressive for a government entity that gets no taxpayer money while enjoying strong public support," he said.

The agency provides Americans and their businesses with the industrial world's most affordable delivery network, Rolando said, while funding its operation through the sale of postage, products and services.

The president credited USPS' ongoing operating profitability in part to the stabilization of letter revenue as the U.S. economy continues its improvement in the years since the Great Recession of 2008-2009.

"And, as the internet drives online shopping, package revenue is rising sharply—up 16 percent this year," he said. "Record worker productivity also contributes."

Moreover, operating profits in Fiscal Year 2016 could have been as high as $1.6 billion, Rolando said, "had it not been for the first stamp price rollback since 1919."

The rollback came halfway through the fiscal year on April 10, when the Postal Regulatory Commission's emergency ("exigent") First Class stamp price increase expired.

In 2013, the PRC approved that price hike, from 47 cents to 49 cents, to help USPS recover from the dramatic drop in mail volume—and revenue—that had been caused by the Great Recession.

"That rollback makes little financial sense," Rolando said, "because USPS already has the industrial world's lowest rates."

Under the terms of the 2006 Postal Accountability and Enhancement Act (PAEA), the PRC is set to undertake its legally mandated review of the postage rate-setting system in early 2017, and that gives the president hope that the rollback's negative effect on postal revenues will be short term.

"We are confident that the PRC will restore rates to sensible levels before implementing a new system," Rolando said.

Pre-funding problem persists

The report's release—which took place one week after Election Day—received modest press coverage. While most reports noted the Postal Service's operating profit, some outlets led their stories with the $5.6 billion loss that the agency also announced. This so-called "red ink," of course, is caused by the unfair provision of PAEA that forces the Postal Service to set aside billions of dollars a year to pre-fund the health benefits of future postal retirees.

"No other public agency or private company has to do this even one year in advance," Rolando said. "USPS must pre-fund these benefits decades into the future."

The president said that if Congress acts on practical, targeted postal reform, the pre-funding issue can be readily addressed.

"There is a strong consensus within a coalition—consisting of the Postal Service, postal unions, businesses, mailers and industry groups, as well as key legislators—for a reform package that all stakeholders can buy into," Rolando said.

As this *Postal Record* was being prepared, the 114th Congress' final few weeks had just gotten underway. Among the many bills awaiting consideration on the House of Representatives' lame-duck agenda was H.R. 5714, a comprehensive postal reform measure that, as drafted, includes many coalition-backed consensus reform provisions. But it also proposes significant, unacceptable cuts in door-to-door mail delivery, forcing NALC to oppose its final passage.

In the Senate, the similarly problematic S. 2051 has seen no consideration—by a committee or on the Senate floor—since it was introduced in 2015.

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