

Postal Service posts small full-year revenue gains; volume falls Traffic declines paced by 5.3% drop in parcel volumes

[Mark Solomon](#) Thursday, November 10, 2022



The U.S. Postal Service posts revenue, volume declines in FY 2022

In what turned out to be a financially noisy fiscal 2022, the U.S. Postal Service on Thursday reported that operating revenue rose nearly 2% year over year to \$78.5 billion, while volume dropped 1.2% due primarily to a 5.3% decline in shipping and package volumes.

The noise came on the bottom line, where the Postal Service reported net income of \$56 billion, due almost exclusively to a \$57 billion one-time noncash benefit from the landmark Postal Service Reform Act enacted in April. In its 2021 fiscal year, absent the noncash benefit, the Postal Service lost \$4.9 billion.

The law's key provision repealed the requirement that the agency annually prepay future retiree health benefits. The law also canceled all past due pre-funding obligations. The effect of both provisions is expected to save the Postal Service billions of dollars per year into perpetuity. No other federal agency has ever been required to manage through similar obligations.

Adjusted for the \$57 billion one-time tailwind, the Postal Service lost \$473 million for the fiscal year, compared to \$1.5 billion in the 2021 fiscal year.

Shipping and package revenue dropped 2.2% to \$31.3 billion, while volume came in at 7.18 billion pieces, down from 7.58 billion pieces. The fiscal 2022 results suffered from poor comparisons to the pandemic-fueled parcel-delivery spike during the prior fiscal year. Delivery

volumes have abated as consumers reverted to in-store buying and market competition intensified, the Postal Service said.

The Postal Service faces an erosion of parcel delivery market share as Amazon.com Inc. (NASDAQ: AMZN), which once used the Postal Service to deliver most of its parcels, has diverted more of that traffic, especially in high-density urban areas, to its own fleet. It also lost millions of parcels after FedEx Corp. (NYSE: FDX) moved its last-mile delivery business in-house to what FedEx calls Ground Economy.

The Postal Service currently delivers about 16% of Amazon's total parcel volume, according to estimates from ShipMatrix Inc., a consultancy. Though the absolute percentage has dropped considerably, Amazon's burgeoning volumes still meant the Postal Service delivered more than 1 billion Amazon parcels in 2021, according to ShipMatrix data.

Speaking Thursday before the Postal Service's Board of Governors, Postmaster General Louis DeJoy said he had hoped the agency would achieve break-even status by the end of its fiscal year. Despite that, he said the Postal Service had made "solid and steady progress" toward that goal.

The Postal Service, which by law must serve every U.S. address and P.O. box, added 1.7 million addresses last year despite continued volume declines. The Postal Service still lacks a cost-effective integrated mail and package delivery network that aggregates all pieces from collections to delivery through a "logically sequenced" processes.

Even with buy-in from all stakeholders, it will still take five years to reach the multiple goals of growing revenue, reducing operating costs and driving e down the agency's carbon footprint, DeJoy told the Board of Governors. It will take a lot longer than that without full cooperation from stakeholders, he said.