UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31,2008 OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM __________ TO __________**

Commission File Number:

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock	Outstanding Shares at May 8, 2008
No Common Stock,	N/A

United States Postal Service
Quarterly Financial Report Index

United States Postal Service
Statements of Operations

(Dollars in millions)	Three Months Ended March 31, 2008 (unaudited)	Three Months Ended March 31, 2007 (unaudited)	Six Months Ended March 31, 2008 (unaudited)	Six Months Ended March 31, 2007 (unaudited)
Operating revenue	$ 18,916	$ 18,277	$ 39,285	$ 37,914
Operating expenses:				
Compensation and benefits	13,632	13,800	27,275	27,710
Retiree health benefits	1,851	1,776	3,691	6,508
Transportation	1,708	1,533	3,550	3,377
Other	2,431	2,468	4,789	4,638
Total operating expenses	19,622	19,577	39,305	42,233
Loss from operations	**(706)**	**(1,300)**	**(20)**	**(4,319)**
Interest and investment income	7	62	15	114
Interest expense	(8)	(1)	(30)	(5)
Net loss	**$ (707)**	**$ (1,239)**	**$ (35)**	**$ (4,210)**

See accompanying notes to the financial statements (unaudited)

United States Postal Service
Balance Sheets - Assets

(Dollars in millions)	March 31, 2008	September 30, 2007
	(unaudited)	
Assets		
Current Assets		
Cash and cash equivalents	$ 914	$ 899
Receivables:		
Foreign countries	501	425
U.S. government	151	155
Other	219	223
Receivables before allowances	871	803
Less allowances	44	44
Total receivables, net	827	759
Supplies, advances and prepayments	139	201
Total Current Assets	**1,880**	**1,859**
Appropriations Receivable - Revenue Forgone	**362**	**392**
Property and Equipment, at Cost:		
Buildings	21,920	21,591
Equipment	21,585	21,060
Land	2,936	2,914
Leasehold improvements	882	842
	47,323	46,407
Less allowances for depreciation and amortization	25,344	24,688
	21,979	21,719
Construction in progress	1,423	1,877
Total Property and Equipment, Net	**23,402**	**23,596**
Total Assets	**$ 25,644**	**$ 25,847**

See accompanying notes to the financial statements (unaudited)

United States Postal Service
Balance Sheets - Liabilities and Net Capital

(Dollars in millions)		March 31, 2008		September 30, 2007
		(unaudited)		
Liabilities and Net Capital				
Current Liabilities:				
Compensation and benefits	$	3,401	$	3,571
Retiree health benefits		2,800		-
Payables and accrued expenses:				
Trade payables and accrued expenses		1,112		1,523
Foreign countries		530		452
U.S. government		94		111
Total payables and accrued expenses		1,736		2,086
Customer deposit accounts		1,453		1,499
Deferred revenue - prepaid postage		1,156		1,142
Outstanding postal money orders		811		847
Prepaid box rent and other deferred revenue		452		434
Debt		1,303		4,200
Total Current Liabilities		**13,112**		**13,779**
Noncurrent Liabilities:				
Workers' compensation costs		7,344		6,800
Employees' accumulated leave		2,302		2,129
Deferred appropriation and other revenue		560		591
Long-term portion capital lease obligations		608		618
Deferred gains on sales of property		361		341
Contingent liabilities and other		258		455
Total Noncurrent Liabilities		**11,433**		**10,934**
Total Liabilities		**24,545**		**24,713**
Net Capital				
Capital contributions of the U.S. government		3,034		3,034
Deficit since reorganization		**(1,935)**		**(1,900)**
Total Net Capital		**1,099**		**1,134**
Total Liabilities and Net Capital	$	**25,644**	$	**25,847**

See accompanying notes to the financial statements (unaudited)

United States Postal Service
Changes in Net Capital

(Dollars in millions)		Capital Contributions of U.S. Government	Deficit Since Reorganization	Total Net Capital
Balance, September 30, 2007	(audited)	$ 3,034	$ (1,900)	$ 1,134
Net Loss - Six months Ended March 31, 2008	(unaudited)	-	(35)	(35)
Balance, March 31, 2008	(unaudited)	$ 3,034	$ (1,935)	$ 1,099

See accompanying notes to the financial statements (unaudited)

United States Postal Service
Statements of Cash Flows

(Dollars in millions)	Six Months Ended March 31, 2008 (unaudited)	Six Months Ended March 31, 2007 (unaudited)
Cash flows from operating activities:		
Net Loss	$ (35)	$ (4,210)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,166	1,035
Gain on disposals of property and equipment, net	(6)	(23)
Decrease in appropriations receivable revenue foregone	30	-
Increase in noncurrent workers' compensation liability	544	747
Increase in employees' accumulated leave	173	140
(Increase) decrease in noncurrent deferred appropriation and other revenue	(2)	26
(Decrease) increase in other noncurrent liabilities	(198)	82
Changes in current assets and liabilities:		
Receivables, net	(68)	56
Supplies, advances and prepayments	62	61
Compensation and benefits	(170)	62
Retiree health benefits	2,800	5,658
Payables and accrued expenses	(350)	(376)
Customer deposit accounts	(46)	(43)
Deferred revenue-prepaid postage	14	(9)
Outstanding postal money orders	(36)	28
Prepaid box rent and other deferred revenue	18	(17)
Net cash provided by operating activities	3,896	3,217
Cash flows from investing activities:		
Purchase of property and equipment	(986)	(1,057)
Proceeds from deferred building sale	20	180
Proceeds from sales of property and equipment	20	35
Net cash used in investing activities	(946)	(842)
Cash flows from financing activities:		
Payments on debt	(2,897)	(2,100)
Payments for capital lease obligations, net	(9)	(24)
U.S. government appropriations - expensed	(29)	(26)
Net cash used in financing activities	(2,935)	(2,150)
Net increase in cash and cash equivalents	15	225
Cash and cash equivalents at beginning of year	899	997
Cash and cash equivalents at end of period	$ 914	$ 1,222

See accompanying notes to the financial statements (unaudited)

Item 1 – Notes to Financial Statements (Unaudited)

Note 1 – Basis of Presentation

These interim financial statements reflect the unaudited results of operations of the United States Postal Service for the three and six months ended March 31, 2008 and 2007, and our financial position as of March 31, 2008 (unaudited) and September 30, 2007. The interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and should be read in conjunction with the significant accounting policies and other disclosures in our 2007 Annual Report. As in the Annual Report, all references to years, unless otherwise stated, refer to our fiscal year beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal year 2008 and fiscal year 2007. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from estimates.

Certain comparative prior year amounts in the interim financial statements and accompanying notes have been restated to conform to the current year presentation. This was required due to the adoption of interim financial reporting in accordance with Securities and Exchange Commission regulations, as mandated by the Postal Accountability and Enhancement Act, P.L. 109-435. These restatements consisted primarily of refinements to our interim accrual estimations for liabilities such as workers' compensation, accrued employee leave, and deferred revenue for prepaid postage, resulting in an increase in the net loss for the three months ended March 31, 2007 of $161 million and $400 million for the six months ended March 31, 2007 from what was previously reported. The changes to the interim results do not affect the financial statements reported in our 2007 Annual Report for the entirety of fiscal year 2007.

In the opinion of management, the accompanying unaudited interim financial statements reflect all adjustments necessary to fairly present our financial position as of March 31, 2008, the results of our operations for the three and six months ended March 31, 2008 and 2007 and cash flows for the six months ended March 31, 2008 and 2007. Operating results for the six-month period ended March 31, 2008 are not necessarily indicative of the results that may be expected for the year ending September 30, 2008.

Note 2 – Public Law 109-435 (P.L. 109-435), Postal Accountability and Enhancement Act

P.L.109-435, enacted December 20, 2006, made significant reforms in the governance of the Postal Service and significantly altered some of our financial responsibilities, particularly in respect to the funding of Civil Service Retirement System (CSRS) benefits and retiree health benefits. The legislation does not change our parent-subsidiary type relationship as an independent establishment of the executive branch of the U.S. government. Our employees and retirees continue to participate in all federally-sponsored retirement and health benefit plans. The U.S. government determines the extent and nature of these employee benefits and the funding requirements of these plans. Therefore, we continue to account for our participation in U.S. government sponsored health benefit and retirement plans using multi-employer plan accounting rules in accordance with Financial Accounting Standards Board Statement (FAS) 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions* and FAS 87, *Employers' Accounting for Pensions*.

P.L.109-435 established the Postal Service Retiree Health Benefits Fund (PSRHBF). The PSRHBF, which is held by the U.S. Treasury and controlled by Office of Personnel Management (OPM), will be used, commencing in 2017, to pay our share of the health insurance premiums for current and future Postal Service retirees. Beginning in 2007, we were required to make payments into the PSRHBF. The payment schedule in the law requires us to pay, on average, $5,600 million per year into the fund for ten years, beginning in 2007. This is in addition to our regularly allocated cost of premiums for current retirees. After these payments are complete, OPM will make an actuarial valuation and determine whether any further payments into the PSRHBF are required. If further payments are required, OPM will design an amortization schedule to fully fund our liability by September 30, 2056.

In Quarter II we expensed $1,400 million of the required $5,600 million 2008 payment, compared to $1,350 million we expensed in the same period last year. We expensed $2,800 million for the six months ended March 31, 2008, compared to $5,658 million for the six months ended March 31, 2007. We will expense the remaining $2,800 million in equal amounts over the remaining two quarters of 2008. See Note 7, *Health Benefits Programs* and Note 8, *Retirement Programs,* for further discussion of this accounting treatment.

Note 3 – Debt and Related Interest

As of March 31, 2008, our debt consisted of $1,303 million in short-term debt outstanding with the Federal Financing Bank compared with $4,200 million outstanding at September 30, 2007.

We continue to maintain two credit lines with the Federal Financing Bank. One credit line enables us to draw up to $3,400 million with two days notice. The other credit line enables us to draw up to $600 million on the same business day that funds are requested. In addition, we can also use a series of other notes with varying provisions to draw upon with two days notice.

Interest expense was $8 million in Quarter II, compared to $1 million in the same period last year. For the six months ended March 31, 2008 interest expense was $30 million, compared to $5 million for the same period in 2007. Our interest expense consists of interest on borrowing and other interest expense.

Cash paid for interest was $12 million in Quarter II, compared to $1 million for Quarter II, 2007. For the six months ended March 31, cash paid for interest was $31 million, compared to $4 million for the same period in 2007.

Note 4 – Property and Equipment

We record property and equipment at cost, including the interest we pay on the money we borrow to pay for the construction of major capital additions. We had no interest capitalized or material impaired assets during the six months ended March 31, 2008 and 2007.

Note 5 – Leases and Other Commitments

Each year we incur new capital commitments and expense commitments. Capital commitments consist of capital lease obligations for buildings and contracts for capital items such as equipment, building construction and improvements, and vehicles. Expense commitments consist of operating leases for buildings, contracts for normal operational expense items, inventory, and research and development contracts.

Since prior year capital and expense commitments are not normally fully expended within one year, we track our total resources on order for capital and expense commitments. The total resources on order being reported in a given period would equal outstanding commitments from prior years, plus new commitments, less expenditures.

CAPITAL COMMITMENTS, EXPENDITURES, RESOURCES ON ORDER

In Quarter II of this year we added new capital commitments of $455 million. Our March 31, 2008 balance of resources on order for capital items was $2,349 million. The schedules presented below reflect our capital resources on order and our future minimum lease payments for all non-cancelable capital leases.

Capital Resources on Order (Dollars in millons)		March 31, 2008
		(unaudited)
Mail Processing Equipment	$	1,287
Postal Support Equipment		208
Building Improvements		507
Construction and Building Purchase		281
Retail Equipment		37
Vehicles		29
Total	$	2,349

Capital Lease Obligations (Dollars in millions)		March 31, 2008
		(unaudited)
2008	$	51
2009		101
2010		98
2011		96
2012		98
After 2012		614
Total Lease Obligations	$	1,058
Less: Interest		405
Total Capital Lease Obligations	$	653
Less: Short-term portion of capital lease		45
Long-term Portion of Capital Lease	$	608

EXPENSE COMMITMENTS, RESOURCES ON ORDER

At March 31, 2008, we estimate our commitments for expense resources on order to be $5,535 million. As of March 31, 2008 our future minimum lease payments for all non-cancelable operating leases and our obligation for retiree health benefits are shown below.

Expense Resources on Order (Dollars in millons)		March 31, 2008
		(unaudited)
Operational Contracts	$	5,433
Inventory Contracts		54
Research and Development Contracts		48
Total	$	5,535

Retiree Health Benefit Commitment (Dollars in millions)		P.L 109-435 Requirement
2008	$	5,600
2009		5,400
2010		5,500
2011		5,500
2012		5,600
After 2012		22,800
Total Retirees Health Benefits Commitment	$	50,400

Operating Leases (Dollars in millions)		March 31, 2008
		(unaudited)
2008	$	416
2009		797
2010		764
2011		705
2012		635
After 2012		5,594
Total Lease Obligations	$	8,911

Our rental expense on operating leases is shown in the following table:

Rental Expense	Three Months Ended March 31,				Six Months Ended March 31,			
(Dollars in millions)		2008		2007		2008		2007
		(unaudited)		(unaudited)		(unaudited)		(unaudited)
Non-cancelable real estate leases including related taxes	$	250	$	240	$	493	$	476
Facilities leased from GSA subject to 120-day cancellation		12		12		21		22
Equipment and other short-term rentals		74		66		153		121
Total Rental Expense	$	336	$	318	$	667	$	619

Note 6 – Contingent Liabilities

Our contingent liabilities consist mainly of claims and suits resulting from labor claims, equal employment opportunity claims, environmental issues, property damage claims, injuries on postal properties, issues arising from postal contracts, personal claims, and traffic accidents.

Contingent Liabilities (Dollars in millions)		March 31, 2008		September 30, 2007
		(unaudited)		(audited)
Labor Cases	$	359	$	526
Equal Employment Opportunity Cases		10		57
Tort Cases		43		39
Environmental Cases		40		40
Contractual Cases		5		14
Total	$	457	$	676

Each quarter we review significant new claims and litigation and evaluate the probability of an adverse outcome. If the claim is deemed probable for an unfavorable outcome and the amount of payout is estimable, we record a liability. Each quarter we also review and adjust any prior claims and litigation for settlements, or revisions to prior estimates. No individual claim currently assessed as probable is material to our interim financial statements taken as a whole. The table summarizes our contingent liabilities provided for in the interim financial statements.

We believe that adequate provision has been made for probable liabilities from claims and suits. The current portion of this liability at March 31, 2008 was $224 million and $248 million at September 30, 2007 and is included on the balance sheets under the heading trade payables and accrued expenses. The long-term portion of this liability at March 31, 2008 was $233 million. At September 30, 2007 the long-term liability was $428 million. These are accrued under the heading contingent liabilities and other in our balance sheets.

We also have other claims and suits which we deem reasonably possible of an unfavorable outcome and for which we cannot yet determine the amounts or a reasonable range of potential losses, if any. No provisions for these are included in our interim financial statements.

Note 7 – Health Benefits Programs

Current Employees

Substantially all of our career employees are covered by the Federal Employees' Health Benefits Program (FEHBP). OPM administers the program and allocates the cost of the program to the various participating government agency employers. Our portion of the cost is based upon the weighted average premium cost of the various employee coverage choices and the specific coverage choices made by our current employees. Our employees paid approximately 17% of the premium costs in Quarter II, 2008 and 2007. We paid the remaining of employee health care expense, which was $1,349 million in Quarter II, 2008, compared to $1,359 million in Quarter II, 2007. For the six months ended March 31, 2008, current employee health costs were $2,706 million compared to $2,707 million in the same period last year.

Retirees

Employees who participate in the FEHBP for at least the five years immediately before their retirement may participate in the FEHBP during their retirement. We are required to pay the employer's share of health insurance premiums for all retired postal employees and their survivors who participate in the FEHBP and who retired on or after July 1, 1971. However, we do not include the costs attributable to federal civil service before that date. Since we cannot direct the costs, benefits, or funding requirements for the federally-sponsored plan, we account for these retiree costs using multiemployer plan accounting rules.

With passage of P.L.109-435, we continue to make monthly payments to OPM for our share of premiums for our retirees due to FEHBP. Additionally, at the end of the fiscal year we make payments into the new PSRHBF held by the U.S. Treasury and controlled by OPM. For 2008, the required contribution to the fund is $5,600 million, which we are expensing at the rate of $1,400 million per quarter. During Quarter II we expensed $1,851 million for retiree health benefits; $451 million was for retiree health benefits invoices from OPM for current retirees and $1,400 million for the PSRHBF. For the same period last year we expensed $1,776 million for retiree health benefits; $426 million for retiree benefits invoices and $1,350 million for the PSRHBF. Year-to-date total expenses for retiree benefits were $3,691 million; $891 million for retiree benefits invoiced by OPM for current retirees and $2,800 million for the PSRHBF. For the six months ended March 31, 2007, retiree benefits were $6,508 million; $850 million for retiree benefits invoiced by OPM for current retirees and $5,658 million for the PSRHBF. The majority of the decrease of the year-to-date amount compared to the prior year relates to $2,958 million which was held in escrow at September 30, 2006 and was expensed in Quarter I of 2007 due to the passage of P.L.109-435.

Note 8 – Retirement Programs

PENSION PROGRAMS

Our employees participate in one of three pension programs based upon the starting date of their employment with the federal government. Employee contributions are made to CSRS, the Dual CSRS/Social Security (Dual/CSRS), or the Federal Employees Retirement System (FERS), all of which are administered by OPM. Employees may also participate in the Thrift Savings Plan (TSP), which is a defined contribution retirement savings and investment plan. The TSP is administered by the Federal Retirement Thrift Investment Board.

P.L.109-435 suspends our employer contribution to CSRS that would otherwise have been required under Title 5, Section 8334(a) (1), of the United States Code until 2017. At that time OPM will determine whether additional funding is required to pay the benefits of postal retirees. This provision was effective October 14, 2006. We continue to make employer contributions for current FERS employees. As a result, our retirement expense for Quarter II, 2008 was $1,475 million, compared to $1,425 million for the same period last year, and is recorded in compensation and benefits expense. Year-to-date, our expense was $2,958 million compared to $2,894 million in the same period last year.

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Note 9 – Workers' Compensation

We pay for workers' compensation costs under a program administered by the Department of Labor (DOL). These costs include employees' medical expenses, payments for continuation of wages and DOL administrative fees. We record these costs as an operating expense under compensation and benefits. Our expense for workers' compensation was $268 million during Quarter II of 2008, compared to $301 million for the same period last year. For the first half of the fiscal year, workers' compensation expense was $568 million, compared to $771 million for the same period in 2007.

During the last quarter of 2007, with the assistance of an outside actuary, we changed the actuarial valuation techniques and inflation and discount rates used in estimating our workers' compensation liability. The actuarial valuation techniques and all assumptions used in valuing the workers' compensation liability at March 31, 2008 are consistent with those used at September 30, 2007. As discussed in Note 1, the liability for March 31, 2007 was adjusted from the balance previously presented. We used the same actuarial valuation techniques that were used at September 30, 2007 and March 31, 2008 in our estimate of the March 31, 2007 balance, however we used the inflation and discount rates that were in effect at that time. This resulted in an increase of $26 million in workers' compensation expense in Quarter II, 2007 and $221 million for the six months ended March 31, 2007 from what was previously reported.

Note 10 – Revenue Forgone

Revenue forgone is an appropriation which covers our cost of providing free and reduced rate mailing service to groups designated by Congress. During Quarter II, 2008, we recognized $22 million including imputed interest in revenue for revenue forgone appropriations, compared to $21 million during the same period last year. For the first half of the fiscal year revenue forgone was $45 million, compared to $43 million for the same period in 2007.

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statements

The *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report include statements representing our expectations about our business and financial results. These may be affected by risks and uncertainties we discuss here and in our Annual Report, such as economic conditions, regulatory and legislative changes, changes in actuarial assumptions, trends we know about, trends we anticipate and trends we believe are relevant to future operations. Some of these factors may cause our actual results to differ materially from those contemplated. Operating results for the six-month period ended March 31, 2008 are not necessarily indicative of the results that may be expected for the year ending September 30, 2008. This report should be read in conjunction with our 2007 Annual Report. As in the Annual Report, all references to years, unless otherwise stated, refer to our fiscal year beginning October 1 and ending September 30. All references to quarters, unless otherwise noted, refer to quarters within fiscal year 2008 and fiscal year 2007.

Critical Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements. In many cases there are alternative policies or estimation techniques that could be used. We maintain a thorough process to review the application of our accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The three critical accounting policies that we believe are either the most judgmental, or involve the selection or application of alternative accounting policies, and are material to our interim financial statements are those relating to workers' compensation costs, deferred revenue for prepaid postage, and contingent liabilities. Management discusses the development and selection of these critical accounting policies and estimates with the Audit and Finance Committee of our Board of Governors and with our independent public accounting firm. Note 2 to the financial statements in our 2007 Annual Report contains a summary of our significant accounting policies.

Introduction

The United States Postal Service (we) commenced operations on July 1, 1971, as an "independent establishment of the executive branch of the Government of the United States." We are governed by an eleven-member Board of Governors. The Board is composed of nine Governors appointed by the President of the United States with the advice and consent of the Senate, the Postmaster General and the Deputy Postmaster General. Under the Postal Reorganization Act, and its successor, the Postal Accountability and Enhancement Act, Public Law 109-435 (P.L. 109-435), we have a legal mandate to offer a "fundamental service" to the American people, "at fair and reasonable rates." We fulfill this legal mandate to provide universal service at a fair price by offering a variety of classes of mail services without undue discrimination among our many customers. This means that within each class of mail our price does not unreasonably vary by customer for the levels of service we provide.

We have a very diverse customer base and we are not dependent upon a single customer or small group of customers. No single customer represents more than 2% of our revenue.

Our primary lines of service are First-Class Mail and Standard Mail, which together account for about 94% of our volume. Priority Mail, International Mail, Express Mail, Periodicals and Package Services are other significant services we provide. We serve individual and commercial customers throughout the nation. Our services compete for business in the communications, distribution and delivery, advertising and retail markets. The rates and fees for our services are subject to a regulatory review process controlled by the independent Postal Regulatory Commission (PRC).

Our mailing and shipping services are sold through our nearly 37,000 Post Offices, stations, branches, contract postal units, our website www.usps.com and a large network of consignees. We deliver mail to over 148 million city, rural, Post Office box and highway delivery points. We conduct our operations primarily in the domestic market, with international operations representing approximately 3% of our total revenue.

We operate and manage an integrated retail, distribution, transportation and delivery network. As such, our physical infrastructure and our labor force are not dedicated to individual business lines, with limited exceptions. Expenses are incurred and managed by functional groupings that align with the integrated network structure. Reporting of expenses on a functional basis in this report comports with the management of and structure of expense incurrence within our organization.

Our labor force is primarily represented by the American Postal Workers Union, National Association of Letter Carriers, National Postal Mail Handlers Union and National Rural Letter Carriers Association. Over 85% of our career employees are covered by collective bargaining agreements.

By law, we consult with management organizations representing most of the employees not covered by collective bargaining agreements. We participate in federal employee benefit programs as required by statute, for retirement, health, and workers' compensation benefits.

We are not a reporting company under the Securities Exchange Act of 1934, as amended, and we are not subject to regulation by the Securities and Exchange Commission (SEC). However, beginning with the quarter ended December 31, 2007 we are required under P.L.109-435 to file with the Postal Regulatory Commission (PRC) certain financial reports containing information prescribed by the SEC under section 13 of the Securities Exchange Act of 1934. These reports include annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K.

Additional disclosures on our organization and finances, including our Cost and Revenue Analysis reports, Revenue, Pieces, and Weight reports, Strategic Transformation Plan 2006–2010 and the Comprehensive Statement on Postal Operations may be found on our website at www.usps.com. Information on our website is not incorporated by reference in this document.

Results of Operations

As more fully described in Note 1, Basis of Presentation, in the Financial Information section, certain comparative interim financial statements have been restated to conform to the current year presentation. In Quarter II we had a net loss of $707 million compared to a net loss of $1,239 million for Quarter II of last year. For the six months ended March 31, 2006 we had a net loss of $35 million compared to a net loss of $4,210 million for the same period in 2007, which included $2,958 million to expense funds contributed to the new Postal Service Retiree Health Benefit Fund (PSRHBF) that were previously held in escrow.

Quarter II operating revenue was $18,916 million, compared to $18,277 million in Quarter II of last year, an increase of $639 million or 3.5%. The revenue increase for the quarter was driven primarily by price changes implemented in May 2007. The effect of the price increase was partially offset by a decrease in mail volume and changes to the mail mix.

Year-to-date, our operating revenue was $39,285 million, compared to $37,914 million for the same period last year. Despite drops in volume in all major mailing categories, year-to-date operating revenue increased $1,371 million due to the price changes mentioned above.

Quarter II operating expenses were $19,622 million, compared to $19,577 million in the corresponding quarter of last year, an increase of $45 million or 0.3%. The slight increase in operating expenses was driven by increases in transportation expenses of $175 million and retiree health benefits of $75 million which were offset by decreases in compensation and benefits of $168 million and other expenses of $37 million.

Year-to-date operating expenses were $39,305 million compared to $42,233 million in the same period last year. The decrease of $2,928 million was due primarily to a one-time expense of $2,958 million incurred in Quarter I, 2007, when funds held in escrow were designated to be used to fund the PSRHBF.

Year-to-date, compensation and benefits expense decreased by $435 million compared to the same period last year. The decrease in compensation and benefits was partially offset by transportation expenses, which increased by $173 million, and other operating expenses, which increased $151 million compared to the six months ended March 31, 2007.

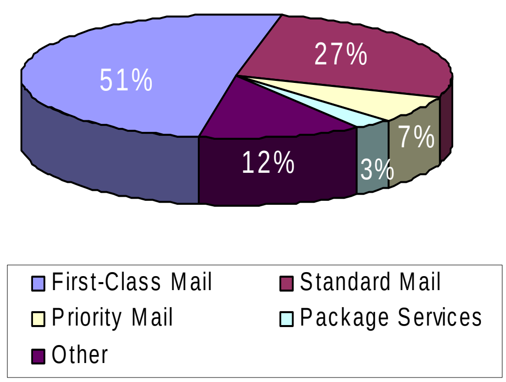
Revenue and Volume

Prices for most of our products and services increased, on average, 7.6% on May 14, 2007. Because of pricing design considerations, some products and services of mail received increases more or less than 7.6%. Price increases typically increase revenue and decrease volume. Therefore, revenue increases by less than the price increase amount. Changes in revenue are a function of the changes in prices, mail volume, and changes in the shape and average weight per piece.

Revenue	Three Months Ended March 31,		Six Months Ended March 31,	
(Dollars in millions)	2008	2007	2008	2007
First-Class Mail	$ 9,568	$ 9,329	$ 19,475	$ 19,048
Standard Mail	5,089	4,989	10,832	10,532
Priority Mail	1,363	1,255	2,951	2,733
Package Services	594	557	1,288	1,216
Periodicals	562	537	1,166	1,083
International	568	451	1,235	1,012
Express Mail	223	231	460	469
Other *	949	928	1,878	1,821
Operating Revenue	$ 18,916	$ 18,277	$ 39,285	$ 37,914
Interest Income	7	62	15	114
Total Revenue	$ 18,923	$ 18,339	$ 39,300	$ 38,028

* Included in the "Other" category are special service revenue and other income.

Quarter II Revenue By Class



For the six months ended March 31, 2008, First-Class Mail and Standard Mail, which make up 94% of our volume, decreased by 3.3 billion pieces compared to the same period last year. Most of this decrease can be attributed to the slowdown in the economy, particularly the real estate and financial sectors, which are heavy users of the mail. However, due to the May 2007 price increase, revenue for these two classes increased $727 million during the same time period. In addition, revenue was favorably impacted by an extra retail day due to leap year. The Internal Revenue Service March mailings to alert tax payers to the Economic Stimulus package payments scheduled for later this year also benefited revenue.

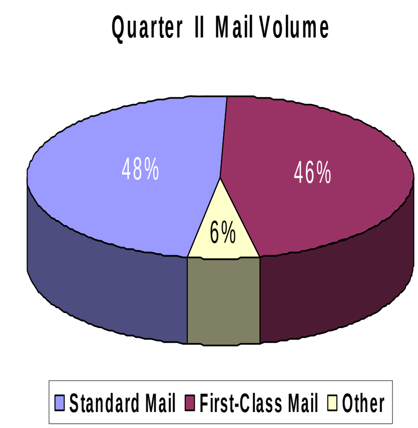
First-Class Mail revenue increased $239 million or 2.6% in Quarter II on a volume decline of 765 million pieces or 3.1%, compared to the same period last year. The revenue increase is less than the price increase because of the decline in volume and shifts in the mail mix. There was no significant change in average weight per piece. While prices have some affect on First-Class mail volume, and the cyclical economic slowdown has had a significant impact this year, technology is the driver behind the long-term decline in this mail class. Single-piece First-Class letters declined 577 million pieces or 5.8% for the quarter. We believe a technology-driven single-piece First-Class letters decline will continue into the foreseeable future. Year-to-date First-Class Mail revenue increased $424 million or 2.2% despite a volume decrease of 1.7 billion pieces or 3.5%. This included a decline of 1.3 billion pieces or 6.0% in single-piece First-Class letters.

Standard Mail revenue increased $100 million or 2.0% in Quarter II, tempered by a volume decrease of 3.0%, or 760 million pieces, compared to the same period last year. This is the fourth quarterly decline after a long period of growth. We may see several more quarters of flat or decreasing volume before a return to sustained growth. The decreases in Standard Mail, which consists primarily of advertising mail, are a reflection of the weak economy and adverse events in the financial services sector. Mailers have also been able to offset some of the May 2007 price increase by changing the shape of their mailings to take advantage of our new shape-based pricing and qualify for lower rates. Year-to-date, Standard Mail revenue is up $300 million or 2.8% compared to the same period last year, while volume decreased 1.5 billion pieces or 2.8%.

Priority Mail revenue increased $108 million or 8.6% in Quarter II, compared to the same period last year. The revenue increase is the result of the May 2007 price increase and a 2.2% increase in the average weight per piece. These factors combined to increase revenue per piece. Growth has slowed as a result of the economic slowdown and the May 2007 price increase. During Quarter II, Priority Mail volume decreased by 10 million pieces or 4.2%, compared to the same period last year. As a price sensitive product, Priority Mail has been adversely impacted by the economic slowdown. As economic growth is anticipated to pick up slowly, we anticipate several quarters of slower volume growth before this product rebounds. Year-to-date Priority Mail revenue has increased $218 million or 8.0% versus the same period last year, on volume that is 4.6% or 22 million pieces lower.

Mail Volume by Type	Three Months Ended March 31,		Six Months Ended March 31,	
(Pieces in millions)	2008	2007	2008	2007
First-Class Mail	23,654	24,419	48,017	49,766
Standard Mail	24,531	25,291	52,193	53,702
Priority Mail	219	229	459	481
Package Services	280	292	598	621
Periodicals	2,157	2,254	4,359	4,431
International	202	207	445	452
Express Mail	12	14	24	28
Other *	247	322	601	650
Total	51,302	53,028	106,696	110,131

* Postal Service mailing volume and free matter for the blind included in the "Other" category.



Package Services revenue increased $37 million or 6.6% in Quarter II compared to the second quarter of 2007. Package Services volume decreased 12 million pieces or 4.0% in Quarter II. Package Services in particular has been adversely affected by the weak economy. Each subgroup of this category experienced a volume decrease during the quarter. Year-to-date, Package Services volume is 23 million pieces lower than the same period last year while revenue is $72 million higher.

Periodicals revenue increased by $25 million or 4.7% compared to the same period last year. Periodicals volume decreased 97 million pieces or 4.3% in the second quarter compared to the same period last year. Periodicals volume is trending downward over the long term, reflecting overall subscription trends. Periodicals were hampered by a 3.4% per piece decrease in the average weight per piece, indicative of the weak advertising market. Year-to-date, Periodicals revenue has increased by $83 million or 7.7% compared to the same period last year, while volume is down 72 million pieces or 1.6%.

Revenue from International Mail increased $117 million or 26.1% in Quarter II, compared to the same period last year. Revenue from mail-related volume increased by $92 million or 22.6%, on a volume decline of 5 million pieces or 2.3%. The large increase in revenue is a result of price increases and the elimination of International Economy Mail. The elimination of this mail class caused international volumes to migrate into higher priced alternatives. We anticipate the effect of this change will continue through a portion of Quarter III. Another significant factor contributing to the increase of International Mail revenue is the strength in exports caused, in part, by the declining value of the dollar. Priority Mail International revenue increased $60 million or 49.1% during Quarter II compared to the same period last year while volume grew 1 million pieces. During Quarter II revenue from foreign postal transactions and international mail fees increased $25 million or 60.7%. International Surface Airlift Mail revenue decreased $2 million compared to the same period last year as volume growth which had been very robust in 2007 experienced a 22.4% decline during the quarter, or 11 million pieces.

Year-to-date, International Mail revenue increased $223 million or 22.0% over the prior year. Priority Mail International revenue increased $113 million or 40.6% during the first six months of 2008 compared to the same period last year primarily due to increased prices. Volume for this service increased by over 1 million pieces. First-Class Mail International and Foreign Postal Transaction revenue increased $52 million and $44 million respectively. For the first six months of 2008, International mail volume decreased 7 million pieces or 1.6% compared to the same period last year.

Express Mail revenue decreased $8 million or 3.3% in Quarter II compared to the same period last year. Volume declined by 2 million pieces or 14.3%. Express Mail is our most price-sensitive service and volume declines were expected after 2007 price increases. Year-to-date, Express Mail revenue decreased $9 million or 1.9% and while volume decreased by 3.5 million pieces or 12.6%. This service was also negatively impacted by the economic downturn.

Other revenue, which includes special services and non-mail revenue, increased $23 million or 2.6% in Quarter II compared to the same quarter last year. Special Services grew by $36 million on stronger Delivery Receipts Services fees. This was offset by lower revenue from passport fees. Lower passport fee revenue is directly impacted by the slowing economy and the decline of the dollar which reduces the demand for travel abroad. Passport revenue was also at an all-time high in the prior year when new passport rules took effect. Year-to-date, other revenue has increased $57 million or 3.1%.

Additional detailed data on product volume and revenue may be found in the Quarterly *Revenue, Pieces and Weight* reports on www.usps.com/financials/rpw.

In Quarter II of 2008, the Postal Regulatory Commission approved a price increase for most mailing services by an average of 2.9% effective May 12, 2008. The impact of the increases is discussed in the revenue outlook section later in this document.

Operating Expenses – Compensation and Benefits

COMPENSATION AND BENEFITS

Compensation and benefits expense for Quarter II was $13,632 million, $168 million less than the prior year amount of $13,800 million, a decrease of 1.2%. Year-to-date compensation and benefits expense of $27,275 million was $435 million or 1.6% lower than the prior year amount of $27,710 million. Both the Quarter II and year-to-date decreases primarily reflect a reduction in work hours and lower estimated workers' compensation costs, relative to the same periods last year.

Compensation expense decreased by $184 million or 1.7% in Quarter II compared to the same period last year. This is due to initiatives to restrain work hours and overtime, implemented in response to the volume decreases noted previously. In addition, the new labor agreements allowed for an increase in lower-cost transitional employee hours, which allowed overtime hours and overall labor rates to be lowered. This tempered some of the effect of the contractual wage increases that took effect in November 2007.

Compensation and Benefits Expenses (Dollars in millions)	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007	Six Months Ended March 31, 2008	Six Months Ended March 31, 2007
Compensation	$ 10,433	$ 10,617	$ 20,827	$ 21,126
Retirement	1,475	1,425	2,958	2,894
Health Benefits	1,349	1,359	2,706	2,707
Workers' Compensation	268	301	568	771
Other	107	98	216	212
Total	$ 13,632	$ 13,800	$ 27,275	$ 27,710

Compensation expense decreased $299 million or 1.4% in the first half of 2008 compared to the same period last year, due to the initiatives previously discussed. The decrease in compensation expense was primarily due to the reduction in work hours during the first half of 2008 as discussed in the following paragraph.

WORK HOURS

In addition to labor and benefit rates, work hours are a major driver of our compensation and benefits expense. A change in work hours is usually created by a change in workload, a change in productivity, or both. The two major workload factors that impact our operations are changes in mail volume and changes in the number of delivery points.

Work Hour Analysis	Work Hours Three Months Ended March 31,		Work Hours Six Months Ended March 31,	
	2008	2007	2008	2007
	(Work Hours in thousands)		(Work Hours in thousands)	
City Delivery	113,640	114,919	230,492	233,310
Mail Processing	74,128	78,617	155,822	165,247
Customer Services & Retail	55,006	58,699	112,485	120,419
Rural Delivery	48,657	47,125	95,772	93,740
Other, including Plant, Vehicle Services, Operational Support, Postmasters & Administration	55,396	55,269	110,762	110,881
Total	346,827	354,629	705,333	723,597

The impact of lower mail volume, as discussed previously, and a sharp focus on reducing overtime hours helped total work hour usage decline 8 million hours or 2.2% in Quarter II. Mail processing work hours were reduced by over 4 million hours; customer service and retail work hours declined by almost 4 million hours and city delivery hours were reduced by over 1 million hours compared to the same period last year. Rural delivery points continue to grow; as a result rural delivery work hours increased 1.5 million hours.

In the first half of 2008, total work hour usage declined 18 million hours, or 2.5%, from the comparable period last year in spite of the fact that there were two additional delivery days. The decrease in work hours resulted from the initiatives discussed above and lower mail volume. The work hour reductions for the quarter and year-to-date are primarily reductions in overtime usage. Mail processing, customer service and city delivery all experienced decreases in work hour usage. Rural delivery, with most of the new delivery points had, as expected, an increase in work hours.

EMPLOYEE COMPLEMENT

Employee complement was reduced by 6,171 during Quarter II. The number of career employees at the end of the quarter was 674,912. This represents a reduction of 13,628 employees or 2% from the same quarter last year, mainly through attrition.

RETIREMENT EXPENSE – CURRENT EMPLOYEES

Retirement expenses remain a significant portion of our total operating expenses. During Quarter II, our retirement expense for the CSRS, Dual/CSRS and FERS plans was $1,475 million compared to $1,425 million for the same period last year, an increase of $50 million or 3.5%. For the six months ended March 31, 2008, our retirement expense was $2,958 million compared to $2,894 million in the same period last year, an increase of $64 million or 2.2%. The Quarter II and year-to-date increases are attributable to an increase in the number of FERS employees and higher average salary rates.

WORKERS' COMPENSATION

Our employees are covered by the Federal Employees' Compensation Act, administered by the Department of Labor's Office of Workers' Compensation Programs (OWCP). The workers' compensation liability and expense accruals are estimated using an actuarial model based on the number of cases, severity of the injury, the age of the injured employee, the trend of our experience with such an injury and other factors. As discussed in Note 9 to the interim financial statements and in our 2007 Annual Report, we changed inflation and discount rates in 2007 to reflect updated expectations.

Workers' compensation expense for Quarter II was $268 million, compared to $301 million for the same period last year. Much of the decrease in the Quarter II, 2008 workers' compensation expense, relative to the same period last year is attributable to changes in inflation and discount rate assumptions, compared to those used in Quarter II, 2007.

For the six months ended March 31, 2008, workers' compensation expenses were $568 million compared to $771 million for the six months ended March 31, 2007.

Two significant drivers of our Workers' Compensation expense are the number of claims reported and the cost per claim. In Quarter II we experienced an increase in the number of medical claim payments of 5,585 or 4.8%, and an increase in the number of compensation claim payments of 1,514 or 3.2% compared to the same period last year. Year-to-date, we experienced an increase in medical claim payments of 14,247 or 6.2%, and an increase in compensation claim payments of 2,797 or 3.0% compared to the first six months of 2007. A factor driving the increase in paid medical claims in Quarter II, 2008 compared to the same period last year is the number of medical examinations that are being done as part of a program that helps our employees return to full duty or find alternative types of work. While increasing medical claims in the short-term, this initiative will yield long-term benefits for both us and our employees.

On a quarterly basis, changes in the number of claims and amounts paid are highly volatile and depend on a number of factors, including, but not limited to: the number, timing and severity of injuries, the timeliness with which they are reported and processed, the number of new claims and closed claims within the period, and the amount and timing of payments made by the OWCP on our behalf. Medical and compensation claims fluctuate significantly from quarter-to-quarter, thus the increase in the number of paid medical and compensation claims in Quarter II, 2008 compared to the same period last year, may not necessarily be indicative of an adverse trend or representative of the results to be expected for the full year.

RETIREE HEALTH BENEFITS

Health benefit expenses for our retirees were $1,851 million for the Quarter II, compared to $1,776 million in the same period last year. Year-to-date, retiree health benefits were $3,691 million as compared to $6,508 million for the same period in 2007. This year-to-date decrease of $2,817 million was primarily due to the expense recognition of the one-time escrow transfer in Quarter I, 2007 results, as required by P.L.109-435. Without the impact of this one-time item, retiree health benefit expenses would have increased by $141 million for the six months ended March 31, 2008 compared to the same period last year.

Retiree Health Benefits	Three Months Ended March 31,				Six Months Ended March 31,			
(Dollars in millions)	2008		2007		2008		2007	
Retiree Health Benefits	$	451	$	426	$	891	$	850
P.L. 109-435 Scheduled Payment to PSRHBF		1,400		1,350		2,800		5,658
Total	$	1,851	$	1,776	$	3,691	$	6,508

P.L.109-435 includes a ten-year payment schedule that requires that we pay $5,600 million into the PSRHBF by September 30, 2008. We are expensing the $5,600 million in equal amounts throughout the year, at a rate of $1,400 million per quarter. In 2007 we expensed $5,400 million at the rate of $1,350 per quarter. See Note 2, *Public Law 109-435,* Note 7, *Health Benefits Programs,* and Note 8, *Retirement Programs* in the Financial Information section for further discussion of this accounting treatment.

Under the FEHBP, the OPM charges us for the cost of our retirees currently participating in the plan. The major drivers of retiree health benefits expense are the number of current participants on the rolls and premium costs. As of March 31, 2008, we had approximately 450,000 participants on the rolls, an increase of about 2,500 compared to the same period last year.

Operating Expenses – Transportation

Transportation expenses were $1,708 million, an increase of $175 million, or 11.5% for Quarter II compared to the same period last year. Transportation costs are largely made up of highway and air transportation. When compared to the same period last year, our expenses for transportation increased by $173 million for the first half of the year.

Highway transportation expenses of $865 million in Quarter II increased by $69 million or 8.7% over the same quarter last year. The higher expenses are driven by increases in contractual commitments, miles driven and fuel prices. Year-to-date, highway transportation expenses increased $193 million or 12.1% over the same period last year. Gasoline prices have increased approximately 26% over the past year, with a gallon of gas costing on average $3.29 at the end of March 2008 vs. $2.61 a year ago. Diesel fuel, which is used by most of our highway contractors as well as the larger trucks in our vehicle fleet, was an average of $3.96 per gallon at the end of March 2008 vs. $2.68 per gallon a year ago, an increase of 48%.

Transportation Expense	Three Months Ended March 31,		Six Months Ended March 31,	
(Dollars in millions)	2008	2007	2008	2007
Highway Transportation	$ 865	$ 796	$ 1,782	$ 1,589
Air Transportation	740	643	1,563	1,585
Other Transportation	103	94	205	203
Total	$ 1,708	$ 1,533	$ 3,550	$ 3,377

Air transportation expenses of $740 million in Quarter II increased by $97 million or 15.1% from the same quarter last year. Domestic air expense increased $31 million, driven by fuel costs that were $25 million higher than the same period last year. International air expenses increased $34 million compared to Quarter II 2007 of which $30 million related to foreign postal transaction fees.

For the six months ended March 31, 2008, air transportation was $1,563 million compared to $1,585 million for the same period last year, a decrease of $22 million or 1.4%. The year-to-date decrease for domestic air transportation of $108 million is primarily due to a decrease in holiday peak air expenses of $92 million compared to the same period last year due to the greater use of surface transportation and mail volume decreases. As noted previously, this was partially offset by higher fuel costs. The mail volume decrease equates to a decline in volume of 152 million pounds. International air expenses increased $86 million compared to the same period last year.

Operating Expenses – Other Operating Expenses

Other operating expenses of $2,431 million for Quarter II were $37 million or 1.5% less than last year's comparable quarter. This was driven by a decline of $124 million in contingent liability expenses (included in Other in the table below) compared to the same period last year. For the six months ended March 31, 2008, other operating expenses were $4,789 million compared to $4,638 million for the same period in 2007 an increase of $151 million or 3.3%. The increase was driven primarily by depreciation and amortization expenses which increased $130 million or 12.5%. This reflects new equipment and buildings placed into service within the last twelve months. Vehicle maintenance service increased by $65 million or 18% over the same period last year, driven mainly by the increase in fuel and oil prices, and increased maintenance expenses on our fleet of vehicles.

Other Operating Expenses	Three Months Ended March 31,		Six Months Ended March 31,	
(Dollars in millions)	2008	2007	2008	2007
Supplies and Services	$ 677	$ 681	$ 1,304	$ 1,271
Depreciation and Amortization	570	523	1,167	1,037
Rent and Utilities	465	450	884	860
Vehicle Maintenance Service	226	206	434	369
Information Technology and Communications	135	154	304	313
Rural Carrier Equipment Maintenance Allowance	143	126	257	243
Other	215	328	439	545
Total	$ 2,431	$ 2,468	$ 4,789	$ 4,638

Productivity

Total Factor Productivity (TFP) measures the change in the relationship between outputs or workload, and the resources used in producing these outputs. Each of these two major components of TFP is made up of three primary categories. Workload consists of weighted mail volume, miscellaneous output and our expanding delivery network. Resource inputs include labor, capital and materials.

In Quarter II, TFP decreased by 0.9% compared to the same period last year. Although resource usage decreased by 1.5% in the quarter, workload decreased more rapidly, by 2.4%. The workload reduction was driven primarily by a 4.0% decrease in weighted mail volume due to declines in all mail classes. The most significant declines impacting weighted mail volume were in First-Class single-piece letters, Express Mail and Priority Mail. Delivery points workload increased 1.1% compared to the same period last year.

On the resource usage side, labor usage decreased 2.6% compared to the same period last year. Labor represents 77% of total resource usage. Materials usage increased slightly 0.1%, driven entirely by transportation. Materials usage represents 18% of total resource usage. Capital resource usage, which represents the remaining 5% of total resource usage, was 10.3% higher in Quarter II, 2008 compared to the same period last year.

Year-to-date, TFP decreased by 0.2% compared to the first six months of 2007. Workload decreased by 2.0% during this period, driven by a 3.6% decrease in weighted mail volume. This was partially offset by the 1.2% growth in delivery point workload. The decrease in weighted mail volume was due primarily to the significant volume decreases in First-Class single-piece letters, which is a high-cost subclass.

Total resource usage for the first six months of 2008 decreased by 1.7% compared to the first six months of 2007. Labor decreased 2.7%, capital usage increased 8.4%, and materials input decreased by 0.4%.

Cash Flow from Operating Activities

Aided by higher revenues resulting from the May 2007 price increases, cash flow from operating activities was $3,839 million, $674 million higher than the level through Quarter II last year. Cash flows through Quarter II were negatively impacted by payments made to union employees resulting from labor contract and grievance settlements, primarily in Quarter I.

Cash Flow from Investing Activities

Purchases of property and equipment for the six months ended March 31, 2008 were $986 million, a $71 million decrease from the $1,057 million of property and equipment purchased during the same period last year.

Cash Flow from Financing Activities

We used the net cash flow from operations, after paying for capital investments, to pay down debt. We repaid debt, net of borrowing, of $2,897 million and $2,100 million through Quarter II of 2008 and 2007, respectively.

Cash and cash equivalents on March 31, 2008 were $914 million, $15 million higher than the September 30, 2007 balance of $899 million.

Liquidity

We believe that our existing cash and cash equivalents, cash flow from operations, and the availability of financing, are adequate to meet our current and foreseeable future working capital and capital expenditure needs.

Interest Expense

Interest expense of $8 million for Quarter II, 2008 was $7 million higher compared to the same period last year. Year-to-date interest expense for 2008 was $30 million compared to $5 million in the same period of 2007. The increase was due to the higher level of outstanding debt we had entering this fiscal year and the higher average debt balance we carried through Quarter II compared to the same period last year.

Service and Performance

Management monitors several key statistics to determine performance against service standards and monitor public perception of our service.

EXTERNAL FIRST-CLASS MAIL MEASUREMENT (EXFC)

The EXFC is an independently-administered system that provides an external measure of collection box to mailbox delivery performance. Although not a system-wide measurement of all First-Class Mail performance, EXFC continuously tests a panel of 463 3-digit ZIP Code areas selected on the basis of geographic and volume density, thereby providing a measure of service performance from the customer's point of view.

Our EXFC scores improved to record levels in Quarter II, 2008. Compared to Quarter II, 2007, overnight delivery scores increased to 96% from 95%, 2-day service scores improved to 94% compared to 91% in 2007, and 3-day scores improved to 92% from 88%.

CUSTOMER SATISFACTION MEASUREMENT (CSM)

CSM is an independently-administered survey that provides an external measure of customer opinions of key areas of service to customers. In Quarter II of 2008, customer satisfaction remained consistent, with 92% of our customers rating our service excellent, very good or good, the same score as a year ago. In 2008, for the fourth year in a row, the respected Ponemon Institute rated the Postal Service as the most trusted government agency and one of the ten most-trusted organizations in the nation – public or private.

Outlook

The outlook for the rest of 2008 continues to be challenging. Year-over-year revenue growth for the remainder of the year should be positively impacted by the May 2008 price increases, but slow economic growth will continue to negatively affect revenue and volume. Although we have implemented additional cost reductions, it will be difficult to continue to offset revenue shortfalls with equal or greater expense reductions, especially if fuel prices remain at their current high levels and inflation in other sectors of the economy begins to increase.

Revenue Outlook

In Quarter II, gross domestic product (GDP) grew by 0.6%, the same rate as Quarter I. This, in conjunction with the housing-driven credit crisis, high oil prices, uncertain employment outlook, and declining consumer confidence all indicate the possibility of a continued slowdown in the economy.

According to Global Insight, real GDP in Quarter III is projected to decline to a negative 0.7% before rebounding in the final quarter of the year. For 2008 as a whole, GDP is expected to increase by less than 1.6%. Although real GDP is the bellwether macroeconomic measure, three other economic variables tend to influence demand for our services more directly: private sector non-farm employment, real retail sales and real gross domestic investment spending. Of these measures, employment has most closely tracked mail volume growth over time. The outlook for employment is weak, with growth of only a few tenths of a percent expected in both 2008 and 2009. Both real retail sales and real gross domestic investment spending are expected to be negative in 2008.

Mail volume historically declines during times of economic slowdowns and increases as economic growth returns. Even if the economy does not slide into a true recession, the generalized economic weakness is expected to have a continuing dampening effect on mail volume. We have already experienced adverse changes in advertising and mailing patterns, brought on by the trouble in the financial services sector, one of our largest customer groups.

We will increase prices for most mailing services by an average of 2.9% on May 12 of this year. Under the new postal law, increases for each class of mailing services cannot exceed increases in the Consumer Price Index of the past twelve months. Growth in the CPI-U for the twelve months ending December 2007 was 2.9%, as computed using the averaging method approved by the PRC. This mechanism is intended to provide for rate predictability for our mailers and hold postage rates to the rate of inflation, and allow our customers to better plan for these predicable rate increases in the future.

The price for a one-ounce First-Class stamp will increase from 41 cents to 42 cents. Prices will also change for Standard Mail, Periodicals, Package Services (including single-piece Parcel Post) and Special Services (including Money Orders, Post Office Box Service, Certified Mail and Registered Mail.)

In some service categories, prices will remain the same or will actually go down. For example, there is no change in the additional-ounce rate for single-piece First-Class Mail. There is a new, lower additional-ounce price for some presorted First-Class letters. The pound price for Standard Mail saturation and high-density flats will be lower than the current rates. Through the new price structure, we will continue to simplify our international services, aligning them more closely with domestic products, making it easier for customers to select the prices and services that best meet their needs.

New prices for shipping services, including Express Mail, Priority Mail and Parcel Select, Parcel Return Service and International Mail were announced on March 4 and will take effect on May 12, 2008. Shipping Services products are not subject to a price cap; however, there is a price floor. Each product must cover its costs, and in the aggregate, products must generate sufficient net contribution to cover 5.5% of our overhead.

We are expanding the range of the Express Mail guaranteed overnight network to include even more ZIP Code destinations, and providing additional scanning as Express Mail moves through the network, providing customers with the enhanced tracking information they are requesting.

Express Mail service is no longer priced based on weight alone. Instead, we will offer both flat-rate envelopes and boxes and, zone-based prices determined by weight and distance consistent with standard industry practices. On average, Express Mail prices will increase 3% in May with larger increases for heavier pieces and pieces destined for Zones 5 through 8 (mail transported more than 600 miles).

Priority Mail retail prices are increasing by 6% on average in May 2008, which is in line with the rest of the shipping market, with individual prices increasing from 0 to 10 percent. The price increases tend to be larger for relatively heavy pieces and for those that are transported relatively long distances.

For the first time ever, the Postal Service will offer commercial-based or volume-related price incentives for Express Mail, Priority Mail and other shipping services. Customers purchasing these services online or through corporate accounts will enjoy pricing below retail, and additional quarterly rebates when volume exceeds a minimum threshold. These innovative pricing incentives should make our products more attractive to all shippers, especially small businesses, in today's competitive market.

In addition during the second quarter of 2008, we implemented two service and price changes that should positively impact revenue for the remainder of the year.

Priority Mail Large-Flat-Rate Box: The new, larger flat rate box went on sale March 3, 2008. It is offered at four prices (domestic mail destined to most ZIP Codes, domestic mail destined to APO/FPO ZIP Codes, international mail destined to Mexico and Canada, and international mail destined to all other countries).

Express Mail Sunday Premium: On March 3, 2008 we established a premium of $12.50, in addition to current rates, for guaranteed delivery of non-manifest Express Mail pieces on Sundays and holidays. The new premium pricing - which matches other shippers Saturday delivery surcharges - reflects the premium delivery option the Postal Service provides on Sundays and holidays.

Expense Outlook

We are on track to reduce work hours for the eighth year out of the last nine. We are committed to a continued focus on reducing both work hours and overtime hours. The recent weakness in the economy and the related revenue weakness require an intense focus on cost reductions. The recently negotiated labor agreements allow for increased use of lower cost transitional employees in the city carrier craft.

Many of our expenses are also tied to price inflation in the general economy that are outside of our control. For example, wage rates for the majority of our craft employees are linked to the CPI-W via semi-annual cost of living adjustments. Health care premiums are negotiated by OPM and generally increase annually. Fuel prices also directly impact our costs and ongoing high prices will continue to place upward pressure on our expenses.

Legislation Update

CONTRACTING LEGISLATION

Legislation putting limitations on our ability to contract out delivery of mail and other postal activities continues to gain popularity in the House with the regular addition of new co-sponsors. Similar legislation was introduced in the Senate last year. These bills have been referred to the appropriate House and Senate committees for review. If passed, this legislation would impact our ability to achieve cost savings due to the lack of flexibility that it would impose on our hiring practices.

VOTE BY MAIL

Representative Susan Davis has introduced H.R. 281, which would amend the Help America Vote Act of 2002 to allow all eligible voters to vote by mail in Federal elections. The bill would become effective in 2010. The bill has been approved by the House Committee on Administration and is awaiting floor action.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rate fluctuations, and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We do not use derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange, or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

See our 2007 Annual Report, Financial Section Part II, Item 7A-*Quantitative and Qualitative Disclosures about Market Risk*.

Item 4 – Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including the Postmaster General, and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We carried out an evaluation, under the supervision and with the participation of our management, including the Postmaster General and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2008. Based on the foregoing, the Postmaster General and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2008.

There have been no changes in our internal control over financial reporting (as defined by Rule 13a-15(f)) that occurred during the period covered by the report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II Other Information

Item 1 – Legal proceedings

None.

Item 1A – Risk Factors

There were no material changes from the risks previously disclosed in our 2007 Annual Report.

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable to the United States Postal Service. As an "independent establishment of the executive branch of the United States government", we do not issue stock or other securities.

Item 3 – Defaults Upon Senior Securities

Not applicable to the United States Postal Service. As an "independent establishment of the executive branch of the United States government", we do not issue stock or other securities.

Item 4 – Submission of Matters to a Vote of Security Holders

Not applicable to the United States Postal Service. As an "independent establishment of the executive branch of the United States government", we do not issue stock or other securities.

Item 5 – Other Information

None.

Item 6 – Exhibits

Exhibit Number	Description of Exhibit
10.1	Employment Contract of new Chief Information Officer as of February 8, 2008.
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities and Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities and Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Signatures

Pursuant to the requirements of the Postal Accountability and Enhancement Act of 2006, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/ John E. Potter

John E. Potter
Postmaster General and Chief Executive Officer

Date: May 8, 2008

/s/ H. Glen Walker

H. Glen Walker
Chief Financial Officer and Executive Vice President

Date: May 8, 2008

Exhibit 10.1

EMPLOYMENT AGREEMENT

The following shall constitute the contract of employment between the United States Postal Service ("Postal Service") and Ross Philo.

1. This contract is entered into under the authority of section 204 of Title 39 of the United States Code.

2. The Postal Service agrees to employ Mr. Philo in the position of Chief Information Officer and Executive Vice President at the Postal Service's Headquarters located at 475 L'Enfant Plaza, S.W., Washington, DC. Mr. Philo's employment in this position shall commence on February 25, 2008.

3. The Postal Service will compensate Mr. Philo with a basic salary paid at the annual rate of $220,000. In accordance with standard Postal Service policy and practice, this basic salary rate may be reviewed and adjusted so that a new basic rate will be effective in January 2009, and during January of each succeeding year in which this Agreement remains effective. Unless required by law, the basic salary rate will not be lower than set forth here. In addition to a basic salary, Mr. Philo will be eligible to participate in the Pay for Performance Program, or any successor program, that is generally applicable to officers of the Postal Service. Mr. Philo's participation in this program shall be according to the standard policies and practices governing the Pay for Performance Program, or any successor program.

4. During the term of this agreement, Mr. Philo will be eligible for all benefits provided to officers of the Postal Service pursuant to standard Postal Service policy and practice. These benefits include annual leave, sick leave, life and health insurance and participation in the Thrift Savings Plan and the Federal Employees Retirement System. Notwithstanding any other provision of this agreement, Mr. Philo's basic pay for the purposes of Chapters 84 and 87 of Title 5 of the United States Code shall be that portion of his basic salary that is not deferred pursuant to paragraph 6.a.i of this agreement.

5. In order to induce Mr. Philo to enter into his Agreement, the Postal Service shall provide the following additional benefits to Mr. Philo:

    a. A one-time payment of $55,000. To the extent allowed by law, this payment will be made to Mr. Philo during the first sixty days after he begins employment with the Postal Service. Any portion of such one-time payment required to be deferred by the limitation found at section 3686 of Title 39 of the United States Code will be paid as deferred compensation pursuant to paragraph 6 of this agreement.

    b. Assistance with relocation from Houston, Texas to Washington, D.C., and the expenses associated with that relocation, pursuant to the standard policies applicable to officers of the Postal Service, as found in Part 3 of the Postal Service's Handbook F-15, *Travel and Relocation,* and in the March 2007 policy entitled, "Executive Relocation Benefits," subject to the following:

i. The allowance for miscellaneous expenses will be $8,460.

ii. In the event Mr. Philo determines to take advantage of the home purchasing service, the sale price of his home in Houston, Texas may not exceed $1,000,000.

iii. In the event Mr. Philo seeks reimbursement for equity loss associated with the sale of his home in Houston, Texas, his reimbursement shall be limited to that available to PCES employees pursuant to Postal Bulletin 22090, dated November 28, 2002. In the event Mr. Philo receives reimbursement for equity loss associated with the sale of his home in Houston, Texas, he may not participate in the Shared Appreciation Loan Program.

In executing this Agreement, both parties acknowledge that Mr. Philo's total compensation is subject to the statutory limits on total compensation contained in Title 39 of the United States Code. As a result of those limits, it may be necessary to defer compensation that would otherwise be payable to Mr. Philo while he is employed by the Postal Service, including but not limited to, basic salary, performance awards, individual awards and bonuses. Such deferred compensation shall be subject to the following:

a. In addition to any compensation that otherwise may be subject to mandatory deferral in accordance with the provisions of Section 6 of this Agreement, Mr. Philo shall have the right to elect to defer compensation as follows:

i. As to his basic salary and any incentive payments or bonuses due to be paid to him, Mr. Philo shall have the right to elect prior to each calendar year to defer any dollar amount or whole percentage, neither of which may exceed 80 percent of his basic salary, or 100% of any incentives and/or bonuses, and such deferred amounts shall be withheld from his salary (ratably across each paycheck for that year), incentives and /or bonuses and deferred for future payment to him by the Postal Service consistent with the terms of this Section 6.

ii. The election to defer compensation shall be made by Mr. Philo in a written election notice signed by Mr. Philo and furnished to the Manager of Compensation on or before December 1st of the year which immediately precedes the year to which the election applies. For the first year, the election notice submission deadline date shall be February 11, 2008, and shall apply to salary, incentive payments and bonuses due and otherwise payable at any time during calendar year 2008. Once made, the election shall be irrevocable.

iii. The election made for a year shall automatically remain in effect for the next succeeding year and so on, unless a new election is timely made before the next succeeding year.

iv. All deferred compensation under this Section 6(a) shall be held by the Postal Service as part of its general operating funds, and held for future payment to Mr. Philo.

v. Compensation deferred pursuant to this Section 6 shall accrue interest until paid to Mr. Philo at a rate of five percent (5%) annually. Interest shall be calculated based on the total amount of deferred compensation which remains unpaid as of December 31st of each year, with the interest being added to the deferred compensation balance for purposes of future calculations.

vi. Unless otherwise restricted by Title 39 of the United States Code, the total amount deferred under this Section 6 (including all interest accrued on compensation deferred) shall be paid to Mr. Philo in five annual payments beginning on the later of:

A. February 25, 2013, if a separation from service occurs prior to December 31, 2012; or

B. Within sixty days following a separation from service, if such separation from service occurs on or after December 31, 2012.

The amount of each annual payment will be equal to the total amount of unpaid deferred compensation (including accrued interest) divided by the number of annual payments remaining. Annual payments made after the first payment shall be made on the anniversary date of the first payment.

In the event some or all of the payment due pursuant to this Section 6(a) may not be made in full in a tax year due to statutory limits on compensation pursuant to Title 39 of the United States Code, unpaid deferred compensation shall carry over into and be paid in succeeding years until the full amount is paid consistent with any statutory restrictions.

vii. Section 409A Compliance. The provisions of Section 6(b) and Section 6(c) of this Agreement shall apply to compensation deferred pursuant to this Section 6(a). This Agreement, including this Section 6, is intended to fully comply with all the requirements of Section 409A of the Internal Revenue Code, as amended, and Treasury regulations thereunder ("Section 409A") so as to not result in any income inclusion to Mr. Philo under Section 409A(a)(1)(A). Upon future request by Mr. Philo (if any) to further defer the payment due him under Section 6(a)(vi), the Postal Service may agree to an amendment of this Agreement as provided in Section 13 of this Agreement, provided such an amendment satisfies the second sentence of this Section 6(a)(vii). Generally, this means that an amendment to provide for a further deferral and a new election for a new distribution date made under that amendment must be made no later than one year prior to the distribution (payment) date which is to be further deferred, and any new further deferred distribution date must be at least five years after the original distribution date.

viii. In the event Mr. Philo dies before all payments due Mr. Philo under this Agreement have been made, any amounts owed Mr. Philo pursuant to this Agreement shall be paid to Mr. Philo's estate in a lump sum within 90 days after the date of his death, provided however, that survivor benefits payable pursuant to sections 681 and 682 of the Handbook EL-380 shall be paid in the manner prescribed in that Handbook; Mr. Philo's estate is an intended third-party beneficiary with respect to the payments set forth in this Agreement in the event of Mr. Philo's death; and this Agreement may be enforced by Mr. Philo's estate in accordance with the terms of this Agreement.

b. Unforeseen Emergency: Notwithstanding subparagraph (a) above, Mr. Philo may receive a distribution of his deferred compensation in the event of an "unforeseeable emergency" with respect to Mr. Philo, as such term is defined pursuant to Section 409A. Any such distribution of deferred compensation in the event of an unforeseeable emergency must comply with Section 409A and the limitation on compensation found at section 3686 of Title 39 of the United States Code. The Postmaster General shall make all determinations required under Section 409A with respect to an unforeseeable emergency. For informational purposes, an unforeseeable emergency generally means a severe financial hardship arising from illness, loss or destruction of property, or certain other events, but the definition of unforeseeable emergency for purposes of the Agreement shall be as provided in Section 409A.

c. Section 409A Compliance: All references in this agreement to Mr. Philo's "termination of employment" with the Postal Service, or words of similar meaning, as a condition for the payment of any form of deferred compensation, shall be deemed to be references to Mr. Philo's "separation from service" with the Postal Service within the meaning of Section 409A of the Internal Revenue Code and applying the default rules thereof.

7. Mr. Philo understands and agrees that as an officer of the Postal Service, he is bound by the rules and regulations of the Postal Service, including, but not limited to, those applicable to employee conduct and conflicts of interest.

8. All professional publications, documents and other intellectual property rights relating to Mr. Philo's work for the Postal Service shall be the sole property of the Postal Service. Mr. Philo agrees to execute and deliver to the Postal Service any documents or other instruments as may be necessary for preserving an intellectual property right in any matter relating to his work for the Postal Service. Mr. Philo hereby assigns and transfers to the Postal Service the entire right, title and interest in any such intellectual property.

9. Mr. Philo shall have the right to terminate his employment thirty days after providing the Postal Service with written notice of his intent to do so. By mutual agreement, the parties may shorten this time period. Mr. Philo shall send this notice by certified mail to the Manager, Corporate Personnel Management, 475 L'Enfant Plaza, S.W., Washington, D.C. 20260-4261. Except for deferred compensation which may be payable pursuant to paragraph 6 of this agreement, in the event Mr. Philo terminates his employment, he shall not be entitled to any compensation under this agreement for any period beyond the date on which he terminates his employment.

10. As provided in section 204 of Title 39 of the United States Code, Mr. Philo shall serve in the position of Chief Information Officer and Executive Vice President at the pleasure of the Postmaster General. Subject to the next paragraph of this agreement, in the event the Postmaster General exercises his or her right to terminate Mr. Philo's employment after Mr. Philo has served as the Chief Information Officer and Executive Vice President for a period of 180 days, Mr. Philo will be entitled to a severance payment of $110,000. To the extent permitted by section 3686 of Title 39 of the United States Code,

this severance payment will be issued to Mr. Philo no later than sixty days after he ceases to be employed by the Postal Service. In the event section 3686 of Title 39 of the United States Code prevents Mr. Philo from receiving any portion of this severance payment, that portion will be paid as deferred compensation pursuant to paragraph 6 of this agreement. The severance payment stipulated in this paragraph of this agreement will be Mr. Philo's sole remedy, and the total amount of damages he may recover, in the event he is terminated pursuant to this paragraph of this agreement.

11. Notwithstanding the previous paragraph of this agreement, in the event Mr. Philo's employment is terminated for cause or for breach of contract, or before he has been employed for 180 days as the Chief Information Officer and Executive Vice President, he shall not be entitled to any compensation for any period beyond the date on which his employment is terminated (but shall receive deferred compensation pursuant to paragraph 6). In the event a court should determine that Mr. Philo served as the Chief Information Officer and Executive Vice President for at least 180 days and that there was neither cause nor breach of contract to warrant termination, Mr. Philo shall be entitled to, and his damages shall be limited to, the severance pay set forth in the preceding paragraph of this agreement.

12. Any waiver or any breach of this agreement shall not be construed to be a continuous waiver or consent to any subsequent breach on the part of either party.

13. This agreement may be amended or modified upon the written agreement of the parties, provided that any such amendment or modification is permitted by Section 409A . No amendment or modification of this agreement shall be valid or effective unless in writing and executed by the parties to this agreement.

14. This agreement embodies the entire agreement of the parties hereto with respect to its subject matter and merges with and supersedes all prior discussion, agreement, commitments or understanding of every kind and nature relating thereto, whether oral or written, between Mr. Philo and any representative of the Postal Service. Neither party shall be bound by any term or condition other than as is expressly set forth herein.

15. Mr. Philo represents and agrees that he has carefully read and fully understands all of the provisions of this agreement, that he is competent to execute this agreement, that his decision to execute this agreement has not been obtained by any duress, that he freely and voluntarily enters into this agreement, and that he has read this document in its entirety and fully

understands the meaning, intent and consequences of this agreement.

Postal Service

Ross Philo

Date: 2/4/08

Date: 2/8/08

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13A-14(a) AND 15D-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, John E. Potter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) for the Postal Service and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's auditors and the audit committee of the Postal Service's Board of Governors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Postal Service's internal control over financial reporting.

Date: May 8, 2008

/s/ John E. Potter
John E. Potter
Postmaster General and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13A-14(a) AND 15D-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, H. Glen Walker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) for the Postal Service and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's auditors and the audit committee of the Postal Service's Board of Governors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Postal Service's internal control over financial reporting.

Date: May 8, 2008

/s/ H. Glen Walker
Chief Financial Officer and Executive Vice President

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service (Postal Service) on Form 10-Q for the period ended March 31, 2008, (the "Report"), I, John E. Potter, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 8, 2008 /s/ John E. Potter

John E. Potter
Postmaster General and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service (Postal Service) on Form 10-Q for the period ended March 31, 2008 (the “Report”),
I, H. Glen Walker, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 8, 2008

/s/ H. Glen Walker
H. Glen Walker
Chief Financial Officer and Executive Vice President