



**POSTAL NEWS**

**Remarks of John E. Potter  
Postmaster General and CEO of The U.S. Postal Service  
National Postal Customer Council Day**

**SEPTEMBER 16, 2009**

*Please note: Mr. Potter may deviate from the prepared remarks.*

Thanks, Pat. And thanks to all of you with us today. It means a lot to me that you took the time out of your busy day, in an incredibly challenging business climate – to listen, to learn, and to share.

It's been a busy year for our industry. It's been a trying year. It's also been a year marked by conversation and speculation – about where the Postal Service is headed and what that means to you. That's what I want to talk to you about today.

As active members of Postal Customer Councils, you're among our most important and influential customers. So I want you to hear, directly from me, what's happening, why it's happening, and what we're doing about it.

If you've been following the news, you've heard that the Postal Service is losing money.

You've heard that we are facing cash flow problems.

You've heard that we're closing stations and branches.

You've heard that we're closing plants.

You've heard that we want to reduce delivery from six to five days.

You've heard that we're reducing our workforce.

You've heard that we want to move into new product lines.

And every one of these points is absolutely true.

Like every business in America – like your business – the Postal Service is responding to the unprecedented demands of an economy that has reduced our mail volume by almost 20 percent in just two years. Like you, we're simply working to bring our costs in line with the reduced revenues that we're seeing. We're simply working to find new sources of revenue to support the costs of our national processing, transportation, and delivery networks.

But unlike other businesses, because of our sheer size, the actions we're taking affect thousands of people and involve billions of dollars. And that makes them news, usually big news.

Let me give you an example: in the last year alone, the Postal Service has eliminated 37,000 career positions. And we're working to reduce that number by another 30,000 this year. There are few companies in America that have that many employees.

At the same time, we've cut our spending by more than \$6 billion dollars in 2009 alone. Think about that for a second – that's more money than many Fortune 500 companies bring in over the

course of a year. And even with a loss that comprises 10 percent of our revenue, we're still a \$65 billion business. That puts us in the top 5 percent of the Fortune 500 by revenue.

Now, that's something to build on. So is the tremendous level of confidence that America has in us – and in the mail.

And with the largest retail presence in America – with more outlets than McDonald's, Wal-Mart, and Starbucks combined – it can get your attention when you hear about new product lines that take advantage of our network's enormous revenue potential.

So, when you hear about the Postal Service in the news, the size of the numbers in the stories can be daunting. They can leave you with the impression that the financial problems are insurmountable. Let me assure you that they are not.

Yes, we're facing one of the most hostile economic environments we've ever encountered, and it's not my intention to minimize that. But it would be a great mistake to think – even for a moment – that we cannot influence the direction the our future; that we cannot bring a new level of stability to the Postal Service and to the entire mailing industry.

That's exactly what we've been working to do. We're reducing costs and we're increasing efficiency at a pace that was simply unimaginable just a few short years ago. And we're working closely with Congress and the Administration on initiatives that are critical to the future of our business.

We are seeking legislation in three key areas.

The first would reduce the immediate financial strain resulting from a law that increased our costs by more than \$5 billion a year beginning in 2007 to prefund retiree health benefits. With more than 450,000 retirees, the Postal Service has **already** set aside a reserve that's essentially sufficient to fund these benefits for each of their lifetimes. I am optimistic that Congress will act on this issue – which does not require the appropriation of any funds – particularly after the house overwhelmingly passed HR22 yesterday.

We will now work with the Senate and Administration on this short-term action and then with the House, Senate and Administration on payments in future years.

Our next priority is legislation that would allow us to adjust the capacity of our system to bring it in line with reduced mail use. We are simply not seeing enough mail to pay for the costs of six-day mail delivery. That is why we have proposed the elimination of Saturday delivery. If we do not address this, the gap between our costs and our revenues will continue to grow – and accelerate – as we serve a growing delivery base that expands by more than one million new addresses every year. None of us can afford this.

And, as previously mentioned, we are also seeking a change in the law that would allow us to expand our product offerings into new areas. We are not looking to get out of the mail business. We are not looking to enter new businesses simply for the sake of expansion. What we are doing, is proposing that we leverage the unmatched scope, reach, and presence of our distribution, transportation, and retail networks to achieve their full revenue potential. That, in turn, can keep the mail affordable and keep service strong.

Ironically, what we're asking for isn't new. The law that created a self-supporting Postal Service some 39 years ago didn't come with all of the restrictions that are making it so hard to succeed today. That law didn't tell us what products we could and couldn't offer. That law didn't tell us how much we could and couldn't charge, without reference to our universal service obligation. That law didn't tell us that mail had to be delivered on six days rather than five. That we had to retain unnecessary retail outlets. That we had to divert billions of today's operating dollars to fund

benefits that may not be payable for another 10, 25, 50 or 70 years. Each of these limitations grew from other laws that modified our original operating charter.

What the law that created the Postal Service did tell us to do was to manage our business like a business. But today, at a time when we need more flexibility than ever, we have less.

The proposed legislative changes I mentioned will help us weather the current storm and move into the future.

The simple fact is that the status quo is unacceptable. The Postal Service must have the ability to manage its business, to adapt quickly to the needs of our customers and the marketplace. And our business model must change to reflect the reality of a volatile economy and a communications marketplace that's been undergoing a transformation as profound as anything that has ever happened before.

I believe we can adapt, and we will adapt, to the winds of change. We have shown, again and again, over the course of more than two centuries, that the Postal Service can evolve to meet the changing needs of our customers, and the demands of the marketplace. Together, we'll do it again.

Every postal stakeholder has a vested interest in a future that supports a financially sound, operationally efficient Postal Service. In today's changed environment, which is challenging us on every front, the interests of individual stakeholders can only be served by advancing our common interests. There is no other option.

As we work to advance these critical public-policy goals, we will not lose sight of the day-to-day needs of you, our customers. You heard Pat and Delores and Linda talk about service. You heard Steve and Bob talk about pricing and products. You've heard Tony and Chuck talk about how the PCCs are really making a difference during a tough time.

They all had one very simple message – we're staying focused on the basics. As engaged as we may be in the critical conversation about the future, we're not letting that distract us from today's work. And it shouldn't distract you, either.

Service is still our priority. And we'll continue to improve service as we implement more-demanding service-measurement systems for all classes of mail. I am as committed to providing great service today as I was when I became Postmaster General.

Keeping costs down is a given. We've taken out billions and we're going to take out billions more – but we're not going to do that at the expense of service.

We're using pricing and product innovations to make it easier for you to stay in the mail – and to make sure the mail grows and does an even better job for you.

And we're going to keep talking to you. There's nothing more important than communication. The better we understand your business and your needs, the better we can meet them.

Thank you for your commitment and your involvement. We're on the right track and we're going to stay on that track. You have my word on that. And we're going to bring an even more intense focus to service, costs, new mailing products and enhancements to existing products – the things that matter most to you.

We're doing everything we can to help you make it through one of the most difficult economic climates any of us have ever experienced. We want you to be in the best position to take advantage of the recovery when it does come.

We've exchanged a lot of information today, good information. And we'll continue to provide you with the best information possible, as often as necessary, to keep you up to date on the critical issues that mean so much to our future.

As members of Postal Customer Councils in hundreds of communities from coast to coast, each of you watching today is respected as a leader in an industry that touches every household and business in America. We're going to do everything we can to provide you with the support you need to fulfill that role – as effective advocates for your business, for our partnership, and for the value of the mail.

We're going to do everything we can to continue to support this incredible network of PCCs. Times have been hard, and when times are hard, we have to lock arms even stronger than ever. We're a team, folks – America's team – we're pulling for each other, and that's not going to change.

There's no other business that has such an active, collaborative, and productive partnership with so many customers in so many communities. And we're going to keep working to make that even stronger.

Thank you for your support.

Thank you for your encouragement.

Thank you for your ideas and your faith in the mail.

But most of all, thank you for your business.

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