

John E. Potter
Postmaster General and CEO, U.S. Postal Service
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Ladies and gentlemen, thank you so much for making the trip to Washington, D.C. I'm very glad that you're able to join us today because it shows your commitment to the mail. You are the cornerstone of the mailing industry so we're very, very happy that you're here. We want you to know that we're just as committed to you.

It's been a tough year for everybody and attendance is a little down, but we're not disappointed because we understand that everybody's hurting. We know that your companies have made a big investment to have you come so we want you to get the most that you possibly can out of your time here. I think we have an exciting program. We're going to cover a lot of territory.

This is not a time for us to panic. As an industry we cannot panic. We have to stay true to those things that are our foundation. The first and most important thing that we are all about is service. We're not going to abandon service. We have to take care of our costs to make mail affordable. We have to focus on today, but we equally have to be looking ahead to the future.

So it's a matter of taking care of business, keeping service high, keeping costs low, and looking ahead to see how we can build a future for the mail to insure that mail is here for decades and years to come, modernizing as we go.

Last but not least we're going to have to make some structural changes.

Let me assure you that we will do everything that we can to increase the value of mail for you. We have to change, but we're not changing those things that are important. It all starts with service.

There's always a debate. Throughout my career there's been this debate: Do you focus on service or do you go after cost? I think you have to do both. In these tough times it's no different. You have to do both.

We have a tough budget and we are going to lose some money this year, but we're not going to step back from service. You have my word on that. (Deputy Postmaster General) Pat Donahoe and his team have put together a record that's unparalleled in the Postal Service. Each and every year they've gotten better.

This year we're stepping up with new measurement systems. We're going to measure classes of mail that we haven't before. It's going to give us greater visibility, more transparency and we're going to learn a lot. Don't be disappointed if you find out that we have a problem here or there. You've known about it. Now we have data. Data that we can both attack it with because sometimes it's a Postal Service issue. Sometimes it's your issue as a mailer.

We'll work our way through that. At the end of the day, we'll have a better product, a product with greater value. That's what it's all about. Where are we headed with it? Customer satisfaction. The only way to satisfy a customer is to deliver when you say you will. You can trust that service will continue to get better and better because it's the heart of our brand and we won't change that.

Now as I just said, we have to keep rates affordable. Service is great, but I have to tell you, if you can't afford to buy it, you won't. We must, in this tough economy, match our use of resources. About 80 percent of our cost is labor-related. We must match our use of resources to the work load that's in front of

us. Volume is down by about 30 billion pieces. By the end of this year, we'll be down somewhere in the neighborhood of 180 billion pieces of mail.

We started with a high several years ago of 213 billion pieces of mail. That's a loss of over \$12 billion in revenue. It's created a significant gap. You've probably heard that we're going to lose in the neighborhood of \$6.5 billion this year. We are nervous about it and we're working very hard. We'll talk a little bit this morning about what we've done to cut \$2 billion from our base in 2008. The goal this year is to take another \$6 billion out and next year to reduce an additional \$3 billion.

We are working very hard to build our efficiency. Last year, operations took out 50 million work hours. This year, that will increase to more than 100 million work hours. Divide by 2,000 (the number of work hours in a year) and you see the numbers: 25,000 jobs last year and this year the equivalent of more than 50,000 jobs. That's a heavy lift. It's remarkable that the operations team is making those adjustments and maintaining a high level of service. Kudos to them. But, to be quite frank with you, it's simply not enough.

We'll be hearing from panelists later about service and costs. But, at the end of the day, it's all about the future. The future is not about looking back. It's about looking and moving forward. We can't hunker down. We can't wait for this storm to pass and just pray that somehow everything will come back to normal. This time, our industry will not bounce back on its own. We have to work to help it bounce back. We have to reconfigure what we are today and match it against the current demand.

We have to pick up the pace. If things are changing fast around us, we have to change just as quickly. We cannot cost cut our way to success today. But I'm an optimist. I think volume will grow. Don't assume that the volume declines that we're seeing are a judgment on our industry today. It's more a reflection on the state of the economy.

The mail is challenged with competition from the Internet. We have competitors when it comes to package services, but we're making headway. In terms of the total share of advertising, mail is growing, and it's going to continue to grow, despite the economy.

And our package business also is growing, especially in terms of market share. Our overall volume decline is a reflection of the economy and we have to make sure that we maintain our competitive edge. We do that by keeping service up, by keeping our rates affordable. Focusing on these two key factors will help volume grow.

Let's talk for a few minutes about pricing initiatives. We continue to work with the Postal Regulatory Commission to try to determine the best way to leverage the Postal Law of 2006 to take pricing to a new level. We're talking with mailers about the Saturation Mail Incentive Program and the Summer Sale. And we're working with companies and shippers on creating Priority Mail contracts and opportunities that work best for them.

Just think about it. In our 234 year history this is the first time we're ever going to use the word "sale" when it comes to prices. I think we've learned to move from "rates" to "prices." Now we're going to move into a sale on mail. Equally important, we're going to build upon what we learn from the Summer Sale this year and take those lessons forward.

We as a group, the entire mailing industry, have to evolve. We have to change. One of the big things that we have going on right now that you're all very well aware of is the Intelligent Mail bar code. IMb is going to take us to the next level of service and efficiency. It's going to give us a platform on which to innovate.

Each of us has a role to play to get beyond the silos that have us fighting about some of the more technical aspects of Intelligent Mail Services. We have to take it to the next level and work as a team. Printers, mailing houses, list providers, fulfillment centers, equipment suppliers, logistics services. We have to work together to drive value up.

We're going to be cheering you on and helping you where we can. Let me just recap where I am right now. Service, paramount. Cost, obviously relates to prices. We have to keep them affordable or we won't be in business.

I think that raising rates to cover our gap would only drive customers away. If we drive customers away, if we lose customers, we'll start a downward spiral from which we'll never recover. We simply cannot have a situation like that

The responsible thing is to step up to the concerns about closing this gap and, if it requires making structural change, we're all just going to have to do that.

We can't abandon the future. We need to make changes today that will make us even stronger five years from now, 10 years from now.

But that leaves another big piece. That next piece is the laws that guide us and the structure that we find ourselves in. The gap that we have from a cost standpoint is huge. I have to be quite frank with you. I don't know that we can do it without some help. We're going to have to ask Congress for help. Think about it. We have an expanding delivery base. Every day new houses are built in America, new businesses go up. Even with this rough economy we're going to deliver to more than 1 million new addresses this year.

We have an expanding base coupled with declining revenue. That is creating a gap. We have to make changes. Some of the changes we're talking about are political: Let us change our networks. Legally we can do it, but we have restraints. Some are regulatory. The regulatory issues we'll have to work on together to determine how to take full advantage of the Postal Law.

But others require changing the law, and that includes our retiree health benefit payments. That is a legacy cost that you, the mailer, pay for. You're the ones paying that cost because it comes from revenue generated by postage, fees and services.

Today, our bill, our annual bill, for retiree health benefits is \$7 billion. Seven billion dollars every year. That's almost 10 percent of the revenue we generate. If we were in the private sector we would have aggressively adjusted our payment schedule for our retiree health benefit trust fund when the economy started to fail.

It's time for us to work with Congress to figure out how we can smooth those payments out and take advantage of the fiscal relief in the short run.

That's not the only thing we're doing. We're working with our unions to fix our labor costs. And, we're talking about something I never thought I'd have to do as Postmaster General. But we're looking at our universal service obligation and whether or not in today's world it makes sense to deliver six days a week.

Right now we don't have the flexibility to make some of the changes I talked about. But we're looking at ways to work through these challenges and changes. The bottom line is everyone has to part of the solution. There is nobody that can be left out because the nature of the problem is so big, we all have to pull together if it is going to be solved.

That's part of our future. And I think the future is extremely important. That's the most important thing we have to do in the next year or two: Make sure that we do not lose sight of the future, that we don't create a snare where we'll burrow ourselves into the ground.

I began by talking a little about the fact that the Postal Service is going to stay true to who we are. Who are we? We're a service organization. That's paramount. It's paramount that we continue to provide the best service.

I think that with the IMb and with the expanded measurement systems, service is only going to continue to get better and with it so will customer satisfaction. We will make an investment in the future and keep looking ahead to try and modernize the Postal Service, modernize our systems, take cost out so that we have a very bright future.

But it goes beyond us. It's not all within our control. There are and will be a need to change the law that governs us.

Bottom line, we need the flexibility to manage our way through what is a very, very difficult period of time.

As I said, this is a challenging year and in challenging times I think you see what people are really made of. What I saw through the entire community this year really made me proud because everywhere I looked, whether it's our unions, whether it's MTAC (Mailers Technical Advisory Committee) whether it's PCCs. I see everybody coming together with a sense of commitment, a sense of purpose. It's all about making the changes today that will ensure our futures.

So we want to stay strong. We want you to continue to have confidence in the mail. We've worked and will continue to work to give you the best levels of service possible and to keep our industry vibrant in the years to come.

Congratulations to you all. We'll work together. Let's have a great year. Thank you very much.