

**REMARKS OF  
POSTMASTER GENERAL/CEO  
JOHN E. POTTER  
AT THE  
NATIONAL PRESS CLUB  
WASHINGTON, DC**

**OCTOBER 8, 2009**

Thank you, Donna, for inviting me here today. And thank you all for joining us. I can't think of a better place than right here, at the National Press Club, to talk about the Post Office. After all, the press and the Postal Service have a lot in common.

We're both trusted messengers – and have been – since the earliest days of our nation. We both touch just about every home and every workplace in the country. We are tremendously far-flung, with deep roots in every American community. And we're challenged both as digital technology alters hard copy communication, and a declining economy erodes our revenue bases.

Like the press, the Postal Service must change to meet America's changing communication-channel preferences. That's what I am here to discuss today.

I'll start with a quick look at the state of the Postal Service. These are challenging times – some of the toughest we've ever had. We've made solid progress in some key areas, and we've made some innovations that weren't possible just a few years ago.

Next, I want to assure you that hard copy mail continues to have strong value in today's marketplace, one that is being defined by electronic substitution – and options that provide robust competition for every one of our products.

Finally, I want to talk about the future. The only thing we can do about yesterday is to learn from it. The only thing we can do about today is to make the best of it. And tomorrow? Well, it would be a mistake to think – even for a moment – that we can't influence the direction of our future, that we can't bring a new level of financial stability – and success – to the Postal Service. The options to bring this about are only as limited as our imaginations.

So, let's begin. We've called 2009 a challenging year, but that's being generous. Financially, it threatened to make history – and not the kind we would have preferred. The word that comes to mind is “devastating.” Mail volume declined by 28 billion pieces.

Two things prevented 2009 from being a total loss. The first was the outstanding performance of our operations group, under the leadership of Deputy Postmaster General Pat Donahoe.

Pat and his team reacted aggressively – and intelligently – to the staggering and unprecedented one-year mail volume decline which was driven largely by the economy. That was magnified by the fundamental marketplace shifts that have been changing our business for the last 10 years. Consumers and businesses are migrating to internet technology at a pace that has escalated in the last year.

So how did we respond to the squeeze play of 2009? We stepped up cost cutting, trimming an unheard of six billion dollars – yes, six billion dollars – from our expenses. We reduced our career workforce by 40,000 positions – and we cut almost 115 million workhours.

But this isn't a one-time reaction to the demands of today's economy. It's part of a process of continuous improvement. Today, we're down to 618,000 career employees. That's about 160,000 fewer than when I became Postmaster General in 2001 – more than 20 percent.

Through it all, we continually focused on service. Pat and his team brought service and customer satisfaction to record high levels. Our employees did a spectacular job, and I really appreciate what they've done. Today, we're up there with the best.

And by every poll and study, the American people show a remarkable confidence and trust in the Postal Service and mail – we're one of the three most-trusted organizations in the nation, the highest-ranked in government, and in the shipping industry. According to a Gallup Poll, a full 95 percent of Americans say it's important to them, personally, that the Postal Service stay in business. And as much as they may prefer paying their bills electronically, experts tell me people still want to get those bills, in hard copy, in the mail.

Although we are in a financial bind we haven't lost our focus on our most important job: providing top-quality service. There are a lot of people who deserve the credit for making that happen. Every one of our employees, no matter what their job, gave it their best in a trying year. And they made a difference.

And our union leadership was there with us too. Did we always agree on everything? Of course not. But we all understood that 2009 couldn't be business as usual.

We worked together with our unions to bring down costs and to find better ways to serve our customers. Together, we reduced the number of delivery routes, changed employee work schedules and implemented growth initiatives. Our employees know that we have to work together to build a stronger Postal Service.

It's the same with our customers. They joined with us to explore advances in processing technology – like the intelligent barcode – that offers an information-rich stream of data about their mailings, and flats sorting equipment that brings the efficiency of full automation to an even larger portion of our product line.

Even more importantly, industry leaders and our unions rallied with us to address a complex financial dilemma that spells the difference between profitability and continued multi-billion dollar losses.

The problem grows out of a three-year-old law that added more than \$5 billion to our annual costs for prefunding retiree health benefits. I was nervous about it, because I knew we just couldn't afford to pay that bill when it came due last week. Our mailers were nervous, too. They were concerned we'd have to pull back on service to make ends meet – and that would have negatively affected their businesses.

I'm happy to say that didn't happen. Mailers stood with us. The unions and associations that represent our employees stood with us. And Congress and the Administration took the time to understand our concerns. At the end of the day, they stood with us, too.

Last week, the President signed legislation that changed our 2009 Retiree Health Benefit Trust Fund pre-funding payment from \$5.4 billion to \$1.4 billion. While this is a welcome move that enabled us to meet all our obligations in 2009, there is more work to be done to secure our future. We've dealt with the "crisis of the day." Now we have to get focused on the long-term changes needed for the Postal Service to remain a national asset.

And on both sides of Capitol Hill, the chairmen of our oversight committees agreed that further legislation is necessary to address the Postal Service's challenge. Congressman Edolphus Towns said that the law which passed would provide the Postal Service with some relief but, "We still have some more work to do. The problem has not been solved." Senator Tom Carper was even more direct. "This is a Band-Aid we will accept," he said. "It's not the solution we need."

And they're right. Even with \$4 billion worth of welcome news, we will still lose more than \$3 billion dollars on a pro forma basis in 2009. That follows similar losses in 2007 and 2008 – reflecting the effects of the recession, changing mail use patterns, and the change in timing of our benefit costs. Compare that to 2003, 2004, 2005, and 2006, when volume was strong; when our total profit approached \$10 billion; and when we completely eliminated our debt.

And what's our outlook for this year?

Without a big change in the way we're required to do business, we're likely looking at a deficit of more than \$5 billion dollars – for years to come. This is a critical public policy issue.

Everyone has to have a role in a national conversation about our future – and no single group can dominate it. We need the consensus of all parties involved to drive new legislation in 2010 to enable the Postal Service to operate like a business. That is our mandate today – and it has been our mandate – but we do not have the tools necessary to do that.

Let me be clear about this – the problem is not the value of the mail. I am convinced that mail will continue to be an affordable, accessible, and powerful engine to facilitate communication and commerce for our nation. It's our job to keep it that way.

Each year, trillions of dollars move through the mail. Even with the volume reductions we're seeing, we delivered about 176 billion pieces of mail last year, with over \$68 billion in revenue. About 90 percent of that mail is generated by businesses – from the biggest companies in the nation to the stores, restaurants, and services in your own neighborhood. Believe me, businesses wouldn't be in the mail if it wasn't doing the job. Obsolete? I don't think so. Our annual revenue is still higher than 95 percent of the companies in the Fortune 500.

So what's the power of the mail? Nothing mysterious. It's targetable. It's measurable. It gets opened. It gets read. And it works.

Even with the bills, most people enjoy getting their mail. More than eight out of 10 households usually take the time to look through their mail. And when it comes to advertising mail, 20 to 30 percent say they consider acting on it. That's an incredible potential response rate.

Then there's the internet. It's changing our business – and in some positive ways, too, ways that we never would have imagined.

Retailers with an internet presence, who use the mail to promote their businesses, are seeing something interesting. The people they mail to spend more time on their websites and, as a result, they buy more and spend more.

There have been some other welcome developments, too. The same law that increased our expenses more than \$5 billion a year also provided us with some needed new pricing flexibility. This may not be enough, by itself, to overcome the magnitude of the costs imposed by that law, but it does give us a hint of what's possible with a new and better business model.

We're able to compete, on a more equal footing, with other shippers, and we've seen some market-share increase. This summer, we offered the first "sale" in our history, and followed it up with a fall sale. And from what we've seen so far, they're exceeding the goals we set for them. It's amazing what we can do when we have the opportunity manage our business like a business. These may be small steps, but they're forward steps.

It all comes back to the role of mail in supporting communication and commerce. Mail works. The problem is that the business model that was created to support the mail no longer works.

We're facing cost requirements that just can't be squared with the realities of the business. We're at a crossroads. The status quo just won't do any more.

We have to change. We have to make some important public policy decisions about the future of the Postal Service. The consequences of inaction are just too great.

And it's not only about the Postal Service. There are millions of American jobs in the mailing industry. We just don't always see them as directly associated with the mail.

There are paper manufacturers, envelope fabricators, mail equipment companies, direct marketing firms, printers, designers, and meter manufacturers. There are small one-, two-, and three person businesses that print and presort mail and there are major consolidators employing hundreds of workers. There are transportation companies who shuttle catalogs, magazines, packages, and every other kind of mail, to every corner of the nation.

And there are our competitors, who fly our mail between America's airports, and who rely on us to deliver some of their products in places where we can do it more efficiently. That says a lot about their faith in the Postal Service brand. And I promise you, we're going to keep our brand strong.

This is all pretty solid evidence that mail won't just disappear. The challenge is creating a firm financial base so the Postal Service can continue to do a great job at prices that make sense for our customers.

But it's interesting. When I hear about how businesses and consumers use the mail – and how they value the mail – I'm struck by the small but loud minority who've been pushing "Do Not Mail" legislation in state capitals around the nation.

On some level, they just don't seem to think the mail should have a role in supporting commerce. Somehow, they think a "sale" offer coming through the mail—as opposed to a newspaper, a magazine, TV, radio, or the Internet—is a bad thing. Ads pay for the internet, as well as broadcast TV and radio programs. So, too, ad mail helps pay for universal mail service in America.

I just don't get it. Especially when I look at what they call "facts." They've got it all wrong. The mailing industry was at the forefront of the "green" movement – a long time before the movement even had a name.

What about the paper in just about all the mail you get? It's recycled or it comes from trees that were grown specifically to produce paper – not from virgin forests. They're renewable resources.

And not only is mail recyclable, but mailers have made it easier than ever for you to be selective about the mail you want to receive and the mail you don't.

And that business about mail making up 50 percent of municipal landfills? Well, that's just – rubbish! The actual number? Far closer to two percent – and shrinking.

We process the mail using less energy than ever. But we're going to do better than that: we're going to cut energy use by 30 percent in our 34,000 buildings over the next five years. We're going to reduce petroleum use by 20 percent in our fleet of 219,000 vehicles. And that fleet includes almost 44,000 alternative-fuel-capable vehicles, the largest civilian inventory in the world.

We have embraced change when it comes to being environmentally responsible. We did it not only because it was good for business but – even more importantly – it was good for America.



As we navigate the complex world of electronic diversion, new media, and changing customer needs, we in the mailing industry must explore and embrace change. The Postal Service is the cornerstone of this industry and change is not new to us. The Post Office has been reinventing itself for nearly its entire existence. The challenges have been many. And in each case, a public policy dialogue led to progressive changes that carried this organization forward.

Today, I ask America to join with me in renewing that dialogue. We must take a fresh look at the future of the Postal Service and its role in serving America. I am not talking about the short-term future of our mail system. Rather, I believe we have to examine what the Postal Service will look like 7, 10, and 15 years from now. If we don't take advantage of the opportunity in front of us today, we will do America a disservice. The status quo simply won't do.

That's why I want to establish a public dialogue about the future of the Postal Service – not as it existed yesterday, nor as it exists today, but as it evolves and changes for tomorrow.

Just a few days ago, "60 Minutes" commentator Andy Rooney noted, rightfully, that there's something special about a letter, and the best mail is a letter from a friend or a relative. Andy went on to say that all the Postal Service needs to do is to get America back to writing letters. I wish it were as simple as that. Let's be realistic. Letter writing, as it used to be, is not coming back.

The revolution in technology has changed the way we communicate with each other – permanently and unalterably. I use email. I use the Internet. And my son and daughter communicate in ways that seem to change every day.

It's not the Postal Service's job to ignore technology, it's not our job to supplant technology, and it's not our job to stand in its way. We're not here to block progress. We are here to make sure the mail supports and promotes the communication and commerce needs of American households and businesses.

Yes, we can learn from our past, but the imperative is to look forward. The public policy dialogue I am proposing is not about the needs or preferences of Postal Service management. It is not about our employees. And it is not about a particular mailing industry segment, or a particular business partner.

This is about determining the role of the Postal Service so that it has a relevant and viable place in the fabric of our nation decades into the future.

We start by asking the tough questions. How much mail will there be in 10 years? How many Post Offices do we need? How often should mail be delivered? How will we pay for it? What new products should be offered to better serve America? What should we charge? And, unlike today, should taxpayer funds have a role in supporting it? We must come to the table with an open mind, without any preconceptions, except for one – the Postal Service has to offer affordable, universal service for the nation.

Yes, over the past year, I have advocated closing and consolidating offices where it can save us money, and where we can protect service. I have advocated for moving to five-day mail delivery. I have advocated for legislation to expand our product base. And I have advocated for help from Congress in restructuring legally-mandated costs that we can't afford. But we cannot be wedded to any particular approach. I'm certainly not.

Each one of these positions was developed for one reason – to build a bridge to help us avoid the consequences of the complete financial disconnect between today's Postal Service and the Postal Service we must reinvent for the future.

The future won't come from wishing. It won't come from hoping. It will come from all of us coming together to with a common goal of doing what's right for America.

The answers to the questions raised in this dialogue must come from many different voices with many different ideas. And that has to include new voices, new thinking, and new approaches.

That's the key to creating the path that moves the Postal Service forward.

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. We will do it again.

I was delighted when I learned last month of Postal Regulatory Commission Chairman Ruth Goldway's support for a national conversation on the future of mail and hardcopy communications. I am also encouraged that the GAO's study on the future of the Postal Service will add to that dialogue. And I can't underscore the interest of so many members of the House and Senate in helping the Postal Service adapt to bring about constructive change.

In many respects the dialogue has already begun. Let's use the opportunities to craft out a public policy debate that will advance the mailing industry – and build unprecedented success and new markets for all of us well into the future.

I can't think of a better place to begin than right here, in this room, with your questions and your ideas. Let's get it started.

Thank you.

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