



POSTAL NEWS

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POSTAL SERVICE SAYS REVENUE TO REMAIN STEADY

WASHINGTON – Speaking today at the monthly meeting of the Postal Service's Board of Governors, Chief Financial Officer Richard Strasser forecast flat revenue growth in the next fiscal year.

Strasser said forecasts point to another 1.3 billion piece decline in First-Class Mail, while he expects Standard Mail to increase by nearly 4.2 billion pieces. Overall mail volume growth should be up 2.7 billion pieces, a modest 1.3 percent growth rate.

The Postal Service's Financial Plan for its next fiscal year, which begins in October is based on a continuing economic recovery and low inflation rate. "We are hopeful," he said, "a stronger economic recovery and aggressive USPS sales efforts will lead to new growth, especially in First-Class and Priority Mail."

Strasser's comments came in a presentation on an integrated financial plan for fiscal year 2004, which the Board approved. "We will continue to focus on strategies that were outlined in the Transformation Plan* given to Congress in April 2002," he said,

The 2004 Financial Plan includes savings through reduction of operational costs and expedited debt repayment.

The plan requires continuing cost reductions of \$1.4 billion along with a fifth straight year of productivity gains, even while the delivery network is expected to grow another 1.8 million addresses to 143 million.

The fiscal plan also includes further reductions of 25 million employee work hours.** Since 1999, the Postal Service has reduced total workhours by a cumulative 512 million. Strasser also said that the Financial Plan would enable the Postal Service to fully recover all prior years' losses with projected net incomes this fiscal year and in FY 2004, capturing \$6 billion since the start of FY 2003.

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Automated Sorting Enhancements

The Board also approved funding for two upgrades to equipment that aligns and postmarks letter mail. The first enhancement to the Postal Service's Automated Facer Cancellor Systems (AFCS) is an Inkjet Cancellor (IJC) that uses inkjet printers and commercial off-the-shelf computer software to apply postmarks with text and graphics. The IJC will replace today's mechanical "die hub" postmarks that require the labor intensive task of changing dates manually.

The second AFCS enhancement, known as a Doubles Detector, identifies two mail pieces inadvertently stuck together as one. This "doubling" effect is caused by high humidity, static adhesion, or excessive envelope adhesive and results in processing delays. The Doubles Detector will greatly reduce handlings and mis-sortings by using a high-speed camera and software to identify these occurrences. A contract is expected to be awarded in December. Deployment will begin in August 2004 and be completed by August 2005.

Since 1775, the U.S. Postal Service has connected friends, families, neighbors and businesses by mail. It is an independent federal agency that visits more than 141 million homes and businesses every day and is the only service provider to deliver to every address in the nation. The Postal Service receives no taxpayer dollars for routine operations, but derives its operating revenues solely from the sale of postage, products and services. With annual revenues of more than \$68.9 billion, it is the world's leading provider of mailing and delivery services, offering some of the most affordable postage rates in the world. The U.S. Postal Service delivers more than 46 percent of the world's mail volume—some 202 billion letters, advertisements, periodicals and packages a year—and serves seven million customers each day at its 40,000 retail locations nationwide.

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* The Postal Service's Transformation Plan is a blueprint that identifies actions needed to address the Postal Service's financial, operational, and human capital challenges to effect major change. It can be found in its entirety at www.usps.com

** Work hours are captured from a variety of operations and not necessarily specific positions.

*** Total Factor Productivity measures output or workload in comparison to the resources used to produce the output.