



POSTAL NEWS

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NEW FIVE-YEAR PLAN BUILDS ON SUCCESSES

Washington, D.C. – The U.S. Postal Service Board of Governors Tuesday approved the “Strategic Transformation Plan 2006-2010,” initiating the agency’s next strategic phase, building on the successes of the original Transformation Plan, introduced in 2002.

“Transformation became the watchword of the Postal Service in 2002,” said Postmaster General John E. Potter. “Our goal was to position the Postal Service to navigate a dynamic market environment and communications landscape successfully. The results speak for themselves.”

He noted that postal product and service offerings are marked by innovation, ease-of-use, and accessibility.

Potter said, “We have reduced costs and increased productivity. Our people, the men and women of the Postal Service, have brought service performance and customer satisfaction to record levels.”

During the next five years, the Postal Service will remain focused on its core business and those strategies that produce results, he said.

“We will promote growth by creating more value for every customer. We will continue to reduce costs by improving efficiency in all our operational and business processes. We will bring service performance to even higher levels. We will use the best technology to make the mail a rich source of information both for our customers and our operations managers. We will achieve all this with an energized, customer-focused workforce,” said Potter.

Board Chairman Jim Miller noted how today’s business environment changes daily and its effect on the Postal Service as technology advances.

“We cannot predict how events halfway around the world—or in our own backyard—will affect our costs. We cannot predict the final form of postal reform legislation—or even if it will occur. But we can do our best to prepare for the impact of these external factors. We understand that our Plan must be dynamic and adaptable. It must help us manage and succeed through periods of uncertainty,” said Miller.

The plan outlines a blueprint for the future to prepare the organization to respond to changing customer needs, market requirements, technological developments and legal requirements.

Postal Service leadership is committed to transforming the Postal Service with the goal of making certain that the Postal Service can provide affordable, high-quality mail service to everyone in America – today and well into the future. Details of the plan can be found at

www.usps.com/strategicplanning/transform.htm

In other business, Chief Financial Officer and Executive Vice President Richard J. Strasser, Jr. presented the Fiscal Year 2006 operating and capital plans. The operating plan is predicated on a postage rate change of 5.4 percent taking effect in January 2006, driven by a requirement to place \$3.1 billion in an escrow account by the end of the year.

"FY 2006 costs will be higher than costs built into the rate filing, and given that rates will be implemented no earlier than the second quarter of the fiscal year, the operating plan results in a deficiency of \$1.8 billion after funding the escrow," Strasser told the Governors.

"We project revenue of \$72.3 billion, an increase of 3.4 percent, to be offset by a like percentage increase in expenses. The plan calls for cost reductions of \$1.1 billion, including workhour reductions of 42 million hours," said Strasser.

Reflecting the priorities outlined in the Transformation Plan, the Postal Service plans to commit \$2.9 billion for capital investment, including \$1.6 billion for equipment projects that will provide a return on investment.

USPS fiscal year begins Oct. 1, 2005 and ends September 30, 2006.

Also, the Board of Governors voted to approve a filing with the Postal Rate Commission to make the Parcel Return Service a permanent classification. It has been operating as an experiment since October 2003. The service will continue without interruption during the Commission's proceedings.

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Since 1775, the Postal Service has connected friends, families, neighbors and businesses by mail. It is an independent federal agency that visits 143 million homes and businesses every day and is the only service provider delivering 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 \$69 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 Postal Service delivers more than 46 percent of the world's mail volume—some 206 billion letters, advertisements, periodicals and packages a year—and serves seven million customers each day at its 37,000 retail locations nationwide.