



POSTAL NEWS

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BOARD APPROVES DEVELOPMENT OF NEW SORTING TECHNOLOGY

Washington – The Postal Service took another step toward completely automating the mail sorting process with the approval by the agency's Board of Governors today of a new technology.

The Board approved the redirection of funds toward the development and testing of a Flats Sequencing System (FSS) which will allow the sequencing of larger mail pieces in delivery point order.

Flat mail — which includes large envelopes, catalogs, magazines, and newspapers — is one of the most labor-intensive categories of mail to process, sort and deliver due to variations in size, thickness and address label placement.

Similar to the Delivery Bar Code Sorters that were developed and implemented under the successful Corporate Automation Plan for letter mail, the Flats Sequencing System will arrange flats in the order of delivery. This will reduce the time letter carriers need to prepare mail for delivery.

This April, a prototype FSS — one-half the size of the production machine — will be installed in the Mail Processing Annex in Indianapolis, IN, with field tests scheduled to continue through June. Following that, a full-size pre-production machine will be built and tested through June 2007. Upon successful completion of those tests, deployment of FSS equipment is targeted to begin in the spring of 2008.

In other action, Postmaster General John E. Potter told the Governors that for the first time since Quarter 1 of 2003, First-Class Mail overnight service dropped a point from the 95 percent record performance. He said second day performance was 88 percent, two points below the same period last year and three day was 83 percent, down three points from last year.

Potter said that he has directed Deputy Postmaster General and Chief Operating Officer Patrick R. Donahoe to lead an effort to improve service for the remainder of the year.

Donahoe told the Board the service scores are a reflection of the difficulties the Postal Service has experienced in the wake of hurricanes Katrina and Rita. He said the organization is stepping up its vigilance with respect to service so as to bring scores back up.

Chief Financial Officer Richard J. Strasser, Jr., reported on the results of the First Quarter (October 1 – December 31) financial performance figures, which showed a drop in both revenue and mail volume and an increase in expenses. Revenue was down 1.4 percent and expenses increased four percent compared to the same period last year.

Strasser said the decline was expected in this quarter compared to the same period last year because a spike in mail volume in November of fiscal year 2005 increased revenues by 12.6 percent. The spike occurred because of the quadrennial impact of election mailings, increased activity in marketing financial services and credit cards, he said.

Strasser said the continuing decline in First-Class Mail volume (down 3.8 percent compared to the First Quarter last year) resulted in \$415 million less revenue. Standard Mail volume increased during the same period, as did Express Mail and Priority Mail, but the revenue generated from those services is not enough to offset the lost revenue from First-Class Mail.

The First Quarter figures also show a small drop in total factor productivity (-0.7 percent).

Potter also praised the service of retiring Chief Financial Officer Richard J. Strasser, Jr. He presented Strasser with the coveted John Wanamaker Award. The award is named after the former Postmaster General who was credited with instituting rural delivery, introducing the first commemorative stamp and initiating efficiencies in the Post Office Department.

The Board also approved funding for development and testing of a Remote Encoding System (RES) program. The RES, which will be used to remotely encode hard-to-read addresses, will replace the Image Processing Subsystem, a central component of the Remote Bar Coding System. This effort will merge various remote encoding operations used to process and forward letter mail and reduce maintenance and telecommunication costs. The RES will be flexible and scalable to accommodate facilities of various sizes and will feature an open interface for accommodating future capabilities.

Chairman James C. Miller, III announced the board's committee assignments. Governors Carolyn Lewis Gallagher and Louis J. Giuliano will join him on the Audit and Finance Committee. Giuliano, who will chair the Capital Projects Committee, will be joined by Governor John S. Gardner and Deputy PMG Patrick R. Donahoe. Governor Alan Kessler, who will chair the Governance and Strategic Planning Committee, will be joined by Governor Gardner and PMG Potter. Governor Gallagher, who will chair the Compensation and Management Resources Committee, will be joined by Governors Kessler and Giuliano.

The Governors appointed Wendy A. Hocking as Secretary to the Board of Governors. Hocking, the first woman to serve in this position, earned a Juris Doctorate from the University of Wisconsin Law School. Before her appointment, Hocking served as chief counsel, ethics and federal requirements in the Postal Service Law Department. She succeeds William T. Johnstone, who has retired.

Since 1775, the Postal Service and its predecessor, the Post Office Department, has connected friends, families, neighbors and businesses by mail. It is an independent federal agency that visits 144 million homes and businesses every day, six days a week 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 \$70 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 half of the world's mail volume - some 212 billion letters, advertisements, periodicals and packages a year - and serves seven and a half million customers each day at its 37,000 retail locations nationwide. Its website, usps.com, attracts more than 21 million visitors each month.