



POSTAL NEWS

FOR IMMEDIATE RELEASE
September 20, 2006

Contact: Media Relations
202-268-2155
www.usps.com

Remarks of Postmaster General John E. Potter
NATIONAL POSTAL CUSTOMER COUNCIL DAY
DALLAS, TEXAS
September 20, 2006

Thank you everyone.

Thank you, Susan, and hello Dallas/Ft. Worth — thank you! Now, I don't want to overlook Oklahoma or Houston, who are also with us. Thank you for being here.

And, thank all of you around the country for joining us today.

Three years ago we had our first PCC Day event nationally, and I said we were going to reinvigorate the PCCs. And I have to tell you, in my opinion, PCCs are on the move!

Today we have over 200 PCCs. We also have some new ones joining us:

Detroit, Michigan; Flint, Michigan; South Central Minnesota and Northern Nevada. Welcome to the PCC family!

When I talked to you a couple of years ago, I said that the PCCs were all about customers. It's your opportunity to network. It's our opportunity to talk about education about Postal products. We want to make sure that you have a forum — to voice your concerns, to give us your ideas and most important, to follow up and ensure that action is taken.

It's also a great opportunity to meet vendors. I was in the vendor hall today — we had over 90 vendors. I want to thank them for their participation in PCCs around the country.

When we stepped back and talked about what we were going to do today — and what the focus of my speech would be — it became obvious that it should be about the PCCs. And what better way to learn about the PCCs and what your needs are than to go out and ask you. We had over 20 focus groups across the country led by Mike Spates, Jon Leonard and Alixe Johnson. What we sought was your candid response. And, I have to tell you, I was very gratified, because there were many positive comments.

Basically, you told us that you really wanted us to move to become customer-centric. You also told us

that there was more energy in the PCCs. And you looked back and said, 'We've gotten better support, we've gotten speakers out of headquarters, we love the Workshops in a Box, and we like the fact that there's an electronic message board around classification, the *DMM Advisory*.'

We liked hearing that, but we're not going to get better just hearing positive remarks. We did get your concerns. And, we got your suggestions and your ideas.

Our goal is to continually improve your PCC experience. So, today I'm going to spend my time talking about what you told us, and telling you how we're responding to your ideas.

So, what were the most common suggestions?

There was some concern regarding local Postal Service participation. You said, 'You know, in some cases, your USPS executives are not really fully engaged.' You also told us that in some places we didn't have a sales presence. Well, let me assure you that the word is out. Our executives are going to be there. Our sales people are going to be there because we want you to meet the movers and shakers of the Postal Service at your PCC events.

In addition to that, we've asked the officer corps over the next year to ensure that they get out to local PCCs around the country to share their knowledge, and also to learn from you. Because the best way to learn about the Postal Service and the Postal experience is by listening to our clerks and our carriers and to the people who use our system and put mail into it.

We'll be out there, we'll be in force, and we want to hear from you. We want you to have a great experience when you come to the PCC.

The other thing that you told us is that the Postal Service needs to do a better job of what we're in the business for — communication. What you told us was that, 'We see the minutes out of the MTAC meetings. We hear from our association. But where is the direct tie from the Postal Service to customers?'

That's a valid criticism. People told us, 'You know, when we get messages through the normal channels, sometimes it's filtered. So, we need you to do a better job of telling us what's going on.'

What we're planning to do is a monthly electronic newsletter called *PCC Insider*. Later on in this program you'll learn how to sign up — please do.

We have over 15,000 people who are joining us via satellite, but we have over 100,000 members of the PCCs, and our goal is to reach every one of them through electronic communication. You'll hear about the latest on our products and services. You'll hear about changes in the classification schedule and you'll hear about the business. On a quarterly basis, we update the Mailers Technical Advisory Committee on how we're doing financially, how our services are going — and we'll update you as well electronically.

By the way, we won't limit ourselves to once a month. If there are times when things happen, or events occur that we feel should be communicated to you quickly, we'll do that.

The other thing you told us was, 'Hey, you have some publications that are redundant. We don't like to read things twice.' You told us that the *Memo to Mailers* and the *Mailers Companion* often have the same information.

We're going to replace those two hard-copy publications with a new one. It's going to be called *MailPro*. It's going to come out this January. It's going to have more information than those other publications. And — I love this idea — because I love to save money. By combining two mailing lists with some redundant names, we're going to cut back on our circulation costs. That's good, because, in effect, you're paying for it. I love to be able to do a better job and do it for less money.

The other thing you told us is that 'We really need to focus on PCC content. We want to know that when we come to these meetings, we're spending our time well. And you said, 'Those Workshops in a Box are great. But, are you going to update them because there are changes that occur in the classification schedule and the rate schedule that we need to know about'?

Let me assure you that we are. We're going to do update Workshops in a Box on a frequent basis. You've also asked for more of them. Now, I want to tell you we have three on the way: one's going to be on the value of the mail, another's going to be a workshop on election Mail and a third on non-profit standard mail. And, let me assure you, there are more to come.

Again, we want your time at the PCC — we know how precious your time is — we want it to be spent very productively.

The other thing you talked about was the value of education and the fact that the Postal Service offers programs such as mailroom manager, but they aren't easily accessible because people would have to go to Oklahoma to our training center or to the Postal Forum.

Our intent is to bring that educational opportunity to PCCs across the country. We are developing new

certificate programs that can be delivered locally. Please, stay in touch with us as those programs come out. If your PCC feels that you have a group of people who would benefit from a program, we're going to be out there to provide those training experiences.

You also said, 'Gee, it's nice, Jack, for you to sit up there and cheer for the PCCs to grow, but how are you helping us?' We're going to be producing new brochures. We're going to go make some new BMEU posters, so that when you bring your mail to the BMEU there are going to be posters there that talk about PCCs. And we're going to suggest to mailers who aren't members that they participate in a PCC because of the opportunity to meet you all, compare experiences and also meet Postal people so that they have a ready network should any future concerns arrive. So, you'll see us be more aggressive and work at building our PCC membership.

These are dynamic times. If you are in the industry, you should and need to be a part of the PCCs. I highly recommend that anyone out there whose livelihood depends on the mailing industry and the Postal Service join a PCC.

Now, there were a couple of requests that, quite honestly, are unachievable. If someone suggested that there be no more rate increases ever, I'm good, but I'm not Houdini. Let me just assure you that we would not be raising rates if it were not absolutely necessary. We've done, in my opinion, a very good job of focusing on you, on growing revenue, and on lowering our costs. We've worked very aggressively to lower costs. Five years ago, we had 100,000 more people than we do today. When you think of your experience over these five years, we've managed to maintain and improve service over that period of time, while reducing our workforce. And, we're going to continue on that track, but unfortunately, there are economic drivers that require that we raise rates.

Some of you also told us that the Postal Service needs to get more information out about the current rate case. People have said, 'What are the preparation requirements around some of the changes you're making? Because, after all, this rate change is going to happen next year and people need time to prepare.'

We're going to get a Rate Commission response in March. We don't know what that response is going to be. But we did present our case to the Rate Commission and we will share with you the preparation requirements and the requirements around what we proposed. You can expect that to happen next week. We're going to file a *Federal Register* notice that outlines all of the preparation requirements around the rate case.

Look for that *Federal Register* notice in the next week and be very open with us, because there are still

opportunities to make suggestions. Part of the process is that we put a notice in, there's a period for comment and we respond to all comments we receive, so please carefully consider that. We want to make whatever changes are necessary and we want to do that early, so that people, again, can plan for the rate change sometime in the spring.

Right now the plan is that we'd raise rates in May. There are a lot of people who are talking about asking us to extend that. Let me just say that we don't know what the economics are going to be like for the Postal Service come May. The Board of Governors will make a decision, but we have to be ready to go on May 6 if that's what the Governors decide. So, next week, look for that *Federal Register* notice. It will be posted on Postal Service websites. Take advantage of the opportunity to understand what we had in mind when we filed those rates, and please take the opportunity to get feedback to us so we can make adjustments as soon as possible.

And, one last thing — don't forget — there will be no change for this fall and the holiday mailing season. So don't worry about rates yet. We want your mail. Keep it coming to us. We're ready for the fall mailing season. We hope that you're ready and that you have plenty of mail for us. Because we both know that mail is the best way to reach customers and to maintain customers.

Finally, let me just touch on another topic that was suggested. When you think about the Postal Service, we are nothing without mailers. If you look back at the history of the Postal Service you see that the mailing community and the Postal Service have constantly looked at taking cost out of the equation. Some people ask, and rightfully so, 'Could you keep us better abreast of USPS future plans, what your vision is? We're not really sure where you are headed.'

I think that's a fair and important question for the mailing industry. First and foremost, let me assure you, we're all about universal service for the American public, regardless of where they live. We're all about making our rates affordable. We're all about maintaining our workforce and our relevancy. And why do I say maintaining our relevancy? Because you decide whether or not we are relevant, not us. We need to respond to you, our customers, and move and change as you move and change. We need to react to your needs and provide services that work for you and not just for us.

When we look for revenue generation, we need the PCC community to tell us what about our products and services is good? What's not so good? How can we change your experience with the Postal Service so that you're more inclined to use our products and services?

Now we do have tactical plans. They are embodied in our Strategic Transformation Plan. It's a long document. It's one that, quite frankly, I don't expect that everyone in this room will have read. But if you

look at it — that plan outlines equipment we're going to buy. It outlines opportunities that we think may be there in terms of our network. It outlines opportunities to improve service. It outlines opportunities to make your experience with us seamless. That's where we want to go. If there's one theme throughout, it is that current and new technologies are going to create an information-rich environment.

Now, we need, as an industry, to make the most out of this information to assure the future of our industry for many years and generations to come. Make no mistake about it — it will take a lot of hard work and investment, as well as time and resources to get that done. But the result of that effort, in my opinion, will be a product of greater value to the sender. By the sender I mean those who pay for production and delivery of mail.

Today, USPS is using the Internet as a channel to reach consumers. We have Click-N-Ship. We have the opportunity to do online about 80 percent of the transactions that occur at the Postal Office window. And that's been a great experience that's working well for us.

Priority Mail is growing. Market share of Priority Mail is growing. Express Mail is growing. Why? Because we've taken advantage of the ubiquity we have to serve the consumer and to serve small business.

Take eBay as an example — a great company to work with. It takes advantage of the ubiquity of the Postal Service. Sellers, wherever they are, through the Internet, have the ability to pay for postage, get labels, apply them to boxes and then have the carrier pick them up the next day. What's the value of that business? Over a billion dollars.

Netflix is another example where ubiquity counts. You're able to order DVDs online, get them delivered through the Postal Service and return them through the Postal Service. We need to continue to build our consumer base, move some of our transactions right where customers want them — online — where they're quick, easy and convenient. Go to your computer — you have your Post Office. That's working. It's helping the entire industry because that growth is helping pay for universal service.

What will this information-rich environment bring for us in terms of the business community's relationship with the Postal Service? Well, first of all, it starts with the address. The better the addresses we have, the better the experience for the sender of the mail — the person who pays.

We have information today that let's us redirect mail that needs to be forwarded, as we cancel it, in Post Offices around the country. And there are some pre-sort vendors out there who use *FASTforward*. As they're producing the mail, they're fixing addresses that have changed recently. We need to do that for all mail. Why should you ever put a piece of mail into our system if there's an opportunity to update that

address first? Why waste that money, why have us waste our time and waste your mail? It doesn't make any sense. We need to work on addresses. We need to get those addresses updated as close to the time that the mailpiece is being printed as possible.

We also need transparency — transparency on the part of the sender of the mail. Consider the fact that we have islands of information out there. There are people who are in the mailing list business. They have information. There are people in the envelope manufacturing business. They have information about the mail and who's ordering what envelopes. We have printers who have received the job and know where it will be dispatched. You have logistics companies who take the hand-off and then turn around and hand it off to Postal Service.

Now, once the mail gets to the Postal Service, if you use a CONFIRM code, you can track the mail right from the point where it's ready for delivery.

Think about all those islands of information — and what would happen if we merged all of them. Think of the value to the sender of the mail. They can go on a website and take a look at where their mail is, knowing when to have fulfillment operations up and running. They see when the mail is delivered. Think about the value to the sender. Think about the value to everyone in the supply chain. Think about the value to the Postal Service. Once we get to the point where we have a predictable workload, and information about that mail is sitting in our computer database, and you know when you're printing those mailpieces — then we know when we can expect the mail. We can become even more efficient. We will then have a much better ability to schedule people — and 80 percent of our costs are labor. Think about how much better our ability to schedule people will be if we can predict what mail will be there on what day at what time. Right now, in many cases, it's a guess — it's estimating whether or not we're going to need resources depending on what happened last year.

And there are benefits to the mailer as well. The mailer will be able to see when the remittance of a bill is coming back by using coding information.

That's the future — a seamless system, transparent to everyone. People can watch mail move through the system. We will be able to see when there are bottlenecks in the system. And can fix those bottlenecks. Service problems will become a thing of the past. Efficiency will be constantly improved because of the information-rich databases that exist today, but just needs to come together, to be united.

As I look forward I see a great opportunity for this industry, probably one that equals, or is even better than automation as an opportunity to improve the value of the mail.

We have a number of efforts under way that you're probably familiar with. *PostalOne!* is electronic acceptance. We have the Postal Wizard, the statement wizard — again electronic acceptance of mail. As you think about what I just described to you — this notion that we're going to track mail through the system — it's important that we get to the point where every piece of mail is unique. That's why we're moving ahead with our 4-State Barcode, one code that has CONFIRM information, address change service information in it — it's a Postnet barcode — with all the information in one barcode. It's going to give us information that we have not had and it will allow us someday to eliminate an acceptance procedure. We'll just do it and accept mail on the fly. Everything will be done electronically.

Now, I've been around the country and seen businesses that are doing that today. They have the ability to go online, and see many steps in the process. I think that has to become the way we do business. That information has to be shared with the Postal Service and we have to put disciplines in place so that we'll have seamless acceptance, which will give us the ability to improve service. And have the ability to take costs out. Variability will be gone because it all becomes predictable. You'll have the ability to track remittances coming to you and there will be more value in the mail tomorrow than there is today.

In my opinion, we are only beginning to fully comprehend the power of an information-rich environment for this industry. We are a complex business — you all complex businesses. Think about the inter-relationships that we have. We need to work together to move forward. We have a fantastic supplier base. In my opinion we can make this work to our mutual advantage. The key is the PCCs. And we need to work with you throughout the country. I know you want to be a mover and shaker in this industry — so you need to be a part of the PCC.

I'm looking forward to continuing to work with you. I want to tell you that we in the Postal Service are going to focus on our PCCs to make sure that your time is well spent and that we continue to build on the 200-plus years experience that we have. This is a partnership, a great partnership, and it's one that has provided strength that will allow us to be successful into the future.

###