

**REMARKS BY
POSTMASTER GENERAL/CEO JOHN E. POTTER
NATIONAL POSTAL FORUM
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Thank you, John. I can't think of a better place for a celebration than right here in New Orleans where every day is Mardi Gras and people know how to celebrate. That's what we're going to do this morning to get this Forum started off in a big way. This is a historic time for the mailing community. In fact, it's probably the most historic time since Postal reorganization 32 years ago.

After a lot of hard work, by the entire mailing industry, by some good friends on Capitol Hill and by one very good friend in the White House, by the name of George Bush, we need to celebrate Congress sending legislation to the President to reduce the Postal Service's Civil Service retirement payments by over \$2.5 billion a year.

The great news for America and for everyone in this room is that when it's signed it will hold rates stable until 2006 – and hopefully even longer.

You helped make this possible. The entire mailing community rallied together behind a common cause – and didn't it feel good? Lots of folks played key roles, and I want to recognize those here with us this morning at National Postal Forum, who helped lead the way.

Well, we said it would be different. That's a great way to start the Forum. I am excited about what's happened and I hope everyone is as excited as I am. I also hope you're as excited about what this means for our business. For the next 2 1/2 years, at least, we can focus our attention where it belongs. Think about that.

Let's put talk about rate increases aside. Let's focus on what we all need to do to recover from the recession and grow the business.

I'll have more to say about preparing for a new era of growth later on. But first, I want to start off by presenting an award to a partner who has already helped grow his business – and ours. He has worked hard to build his company into the world's largest independent credit card lender. He and his company have become true partners of the United States Postal Service.

Ladies and gentlemen, would you please welcome the President of MBNA, Mr. John Cochran, III.

John, would you tell us a little about how MBNA has benefited from our partnership together.

Sure, Jack, MBNA is a \$107 billion asset organization that does most of its business via the U.S. Mail. We correspond with 50 million customers at least once a month and we'll add another 10 million more in the U.S. this year alone. So our partnership with the Postal Service is absolutely critical to our success.

Jack, over the years, we've been able to refine our mailing operation by improving our internal mail handling processes and with help from our postal representatives, we've been able to streamline our operations for expense reductions of nearly \$25 million. The end result is improved service to our cardholders.

Well, John, talking about service, what kind of service have you been getting from the Postal Service? Good, I hope, since there are over 3,000 witnesses out there.

Jack, Service is great! Our own monthly audits show that remittances are delivered within standards about 97% of the time. And to help you make sure it stays that way, we make every effort to make sure our mail is addressed accurately.

High quality means high service, and it all starts with addresses, John. Now, I'm sure you all think you know why we asked John to come out here. But John, I think it's time we let everyone else in on our little surprise. As great a partner as you are John, we both know you're not out here to get an award.

So why don't you introduce the real winner of this special Partnership For Progress award, and tell us why we all think he deserves it.

Sure, Jack. At the risk of sounding immodest, I have to tell you the real reason for getting this partnership started was the person sitting right out there in the front row, my father, John Cochran Jr., who put in 45 years with the Postal Service.

If I can take a minute to tell this story, Jack. It all started with an ice storm about 10 years ago. The storm shut down the airports and caused delays in shipping our customer statements and credit cards.

I turned to the most experienced person I knew when it comes to the Postal Service: my dad. He helped us find ways to move the mail during the emergency and from that experience our partnership with the Postal Service evolved and is still going strong today.

John, I think it's time we asked your dad, John Cochran Jr., and his wife, Mary, to come up here on stage and join us. And I'm asking the Board of Governors of the Postal Service to join us, as well.

This morning, I'm very pleased to present this special Partnership For Progress Award to a true partner, a man who started his career in the Postal Service in 1946 and who rose through the ranks to take one of our toughest jobs – Postmaster of Washington, DC.

After he retired from the Postal Service in 1990, he started another career with MBNA. There, he laid the foundation for the mutually beneficial relationship that has grown between the United States Postal Service and the MBNA. Even though his second career was with MBNA, John Cochran Jr. never forgot his roots.

Ladies and gentlemen, would you help me congratulate the first former Postal Service employee to receive this award – Mr. John A. Cochran Jr. John, would you like to say a few words?

Yes, Jack. I want to thank you for this honor and privilege. I am proud of our accomplishments at the United States Postal Service and at MBNA. And I want to say that we're receiving excellent mail service. Thank you.

Thank you, John.

If you haven't guessed it by now, this Forum is all about change. It's about transformation. And it's about partnership and preparing for the future. Today and tomorrow, I want you to think about how we can work together to make the most of the opportunities that are ahead of us.

Because there are historic opportunities open for us: An opportunity to revitalize the mailing industry, an opportunity to modernize the Postal Service and an opportunity for a long period of rate stability in a time of economic instability.

When you arrived, you were given some materials about our Transformation Plan. We have an exciting track of Business Strategy Sessions to allow you to delve into specific aspects of the Plan.

For now, I want to bring you up to date on the progress we've made. Then, we'll change gears and hear from some people within and outside our industry who are helping us chart the industry's future course.

It's hard to believe that one year has gone by since we presented our Plan to Congress and to the American people to transform the Postal Service. In the past 12 months, we've made good on many of the commitments in the Transformation Plan.

I promised we'd focus on managing the business – from service improvements, cost controls, and innovative changes to efforts to bring about near and short term legislative change.

Look at service performance. Overnight service performance for First-Class Mail hit 95% for Quarter 2. That 95% was a real first: the first time, in any quarter, in any year that we hit 95%. And we did it during some of the worst winter weather to hit the country in a decade.

At the end of the day, we're providing better, more reliable service on every class of mail – from Priority Mail to Express Mail, from your business letters and flats to your catalogues and periodicals.

We've also proved we can provide high quality service while keeping our focus on finances. I recognize that every dollar we spend has to come from you, our rate payers.

We set a goal in the Transformation Plan to take \$5 billion out of our costs by the year 2006. We'll achieve that pledge.

Last year, for the first time in 31 years, our 2002 operating expenses were less than the previous year. We ended the year \$2.5 billion below our original plan. And in 2003, we'll end the year with a net positive income.

How did we do that? The same way we improved service: by getting focused. By getting people engaged. And I mean everybody – the leaders of the mailing industry, our unions, our management associations, our management team, and all 740,000 of our employees.

Our employees are on board. They know the business challenges we're facing. They stepped up.

Our productivity climbed for the 3rd straight year in 2002, and we're on track for a 4th this year.

Our Transformation Plan also promised we'd make changes within the limitations of the current legislation – changes that would help us build the business. In a word, we are focused on "innovation."

- We expanded our partnership with FedEx to include more flights to more cities.
- With mailers relying more and more on flats to bring messages to customers, we're taking steps to bring new efficiencies to flats processing and distribution.
- We increased customer access and convenience. How? For the average citizen, we're working to bring our service to them. We have more supermarkets and other retail chains selling stamps and offering postal services. For example, we've launched a new partnership with Hallmark Gold Crown stores.

- On line, we've enhanced our website so customers can use their home or office computer to access postal services and products. Our Click-N-Ship service allows customers to print labels and pay postage for Priority Mail and Express Mail products online.
- In postal lobbies, we will deploy automated vending equipment for added customer convenience.
- We are also working on convenience for major mailers. For some of you, PostalOne has become part of the way you interact with us. I want to see us expand our ability to do business with you electronically – and we will.
- We're enhancing our products through information. Planet Codes help you use Confirm to track your mailings and give you the predictability and information you want.
- We're working with you and the Postal Rate Commission on innovation.
- We conducted two ratemaking summits to explore new approaches.
- We introduced new worksharing discounts for small circulation periodicals that allow them to reduce their mailing costs.
- After years of talking about negotiated service agreements, we got that idea off the ground when CapitalOne stepped up to the plate to be the first at bat. Today, other major mailers are talking to us about ways we can incent them to increase volume through the use of NSAs.

In short, we are focused: record service performance, sound financial management, and innovation. We in the Postal Service will build on our success and continue to implement the Transformation Plan. We will not lose our focus.

But we need your help. We have an unprecedented opportunity to grow the business.

Here's what the CEO Council wrote to the President of the United States several months ago talking about what passage of Civil Service Retirement system legislation means:

"The mailing industry will be in a better position to increase capital investment and business operations in a climate where postal rates remain stable for several years."

And last week, Pitney Bowes CEO Mike Critelli commenting on the bill's passage said, "Congress' action helps promote economic recovery in this critical sector."

And Advo's CEO Gary Mulloy in a press release last week said, Congress' action "improves the overall competitiveness of the mailstream as a communications medium and provides the impetus for mail volumes to grow."

These aren't my words: these are words from industry leaders. We have an opportunity that we cannot squander. We have to move forward – and now's the time.

And you have my commitment that I will do anything within my power to help you help your business grow.

Our Transformation Plan also underscores a pressing need for short term legislative change, changes to help build the business – yours and ours.

I can think of no better short term legislation than the one we celebrated earlier. The CSRS legislation means you and other business mailers across the country can prepare your business plans now for 2004 and 2005, knowing you will have stable postage rates.

The Governors of the Postal Service actively worked to see this legislation succeed. I'd like to ask the Chairman of the Board, David Fineman, to talk about some of the lessons learned from this legislative effort.

Thanks, Jack. You're right. I've seen smiles on the faces of people like I've never seen before. This is an important bill for the industry. And every governor is delighted we will be able to hold rates steady – and pay down our debt. That debt reduction has long term benefits for the industry, too. So don't minimize it.

I also want to thank my colleagues on the Board for the work they did – often behind the scenes – with the Congress and the Senate. Interestingly, I think the members understood the importance of the bill when we explained it and were very supportive.

It was also evident to the Congress that the entire industry (and I include our labor leaders) came together on this issue and took action. It sets a good tone for the future. Now we have to keep that momentum going.

David, is this the end of the story? Where do we go from here?

It's not the end, Jack, it's just the beginning. The Commission will be issuing its report soon. We will have to get some more legislation passed. As I told the Commissioners, the status quo is not acceptable. And the industry showed Congress just how important their businesses are to communities all across the nation.

Thank you, David. We'll need to use the lessons we've learned as we move forward. Because despite everything we've done in the last couple years, the fact remains that we still face stiff challenges in the years ahead. We still face an uncertain economy, stiff competition, and the reality of electronic diversion. The reality is that we have an old business model that is flawed, and that won't serve us much longer.

We have to give President Bush a great deal of credit for his foresight in recognizing that and for establishing the President's Commission on the Postal Service.

The mission of the nine members is to address key public policy issues and make recommendations about our long term future. My experience with the Commission members is that they are engaged, they are open-minded, and they want to do what is in the best, long term interest of America.

They understand the dilemma we are in and the important role universal service has played in the nation's commerce and as a fundamental communications link for every citizen.

I have invited two people here who have played key roles in the Commission and what it's trying to accomplish.

First, I want to introduce Mr. Peter Fisher, the person President Bush named to coordinate the formation of the Commission. Peter has worked closely with the Administration and the Postal Service to form a real partnership for progress for the entire mailing industry.

He is the Under Secretary for Domestic Finance for the Department of the Treasury – which means he's in charge of all aspects of domestic finance, including serving as the Postal Service's banker. Prior to joining the Treasury Department, Peter was executive vice president of the Federal Reserve Bank of New York. He earned his law degree from Harvard Law School and received his undergraduate degree in history from Harvard College.

Also joining us to talk about the Commission is James A. Johnson, the co-chair appointed by President Bush to lead the work of the Commission.

When he's not co-chairing the Presidential Commission, he's vice chairman of Perseus, a merchant banking firm based in Washington and New York. He served as Chairman and CEO of Fannie Mae from 1991 to 1998. He also serves a chairman of The John F. Kennedy Center for the Performing Arts and is chairman of the Board of Trustees of the Brookings Institute.

Please welcome Peter Fisher and James Johnson

Thank you, Peter and thank you, Jim for taking the time to join us this morning and for all of your important work for the President's Commission on the U.S. Postal Service.

At this point, we traditionally recognize leaders in the mailing industry who have served as partners with the Postal Service. But as I promised at the beginning of my remarks, we're making some changes this year. Chairman Fineman, would you rejoin me on stage?

David, the stage is yours.

Jack, thank you. It's an honor for me to be here to present this latest Partnership for Progress Award to Peter Fisher. Knowing the scope of Peter's responsibilities at Treasury, we're extremely fortunate that the President selected him to lay the groundwork for the Commission. It's clear to all of us who've had the pleasure of knowing him, that he has taken the time and effort to thoroughly understand the issues surrounding the Postal Service.

America is fortunate to have someone like you who is committed to serving the people of this nation. Thank you and congratulations.

Thank you, David and thank you, Peter. Before we depart for this morning's business sessions, I have another guest I want you to meet.

Those of you who have attended previous Forum's know that this partnership of ours is more than business strategies and bottom lines. It's also about people and our commitment to serving people.

Each year we spotlight one program that's important to the people and communities we serve. At this Forum, I want to salute the work of the Marrow Foundation whose mission it is to provide a nationwide registry of men and women who could potentially become life-saving marrow donors.

To tell us more about the Marrow Foundation work and the unique opportunity for all of us to help, I want to show you this short video about our guest. Now, ladies and gentlemen, would you please welcome five time Super Bowl Champion, former San Francisco 49er and Dallas Cowboy, Charles Haley.

Thank you, Charles, for joining us this morning. We look forward to hearing more about our partnership with the Marrow Foundation at tomorrow's luncheon. And I hope everyone takes the opportunity to visit Charles in the exhibit hall to learn more about what they can do and their companies can do to support this important effort.

I want to close this morning by thanking all of you for being here. We all have a lot to be proud of. And with your help and support, I have every expectation we are about to launch an even greater era of growth.

You heard what Peter Fisher and Jim Johnson said about the opportunities ahead. When the President signs it, the CSRS legislation will give all of us an opportunity to grow this business of yours and ours. We in the Postal Service are going to do our part.

I ask you to make the most of this opportunity as well. Take this time to grow your businesses and help us grow ours as well.

Get engaged in the work of the President's Commission. That's where our future lies. You all have a stake in shaping that future. It's an opportunity that may come along only once in a lifetime! Let the members of the Commission hear from you and from your corporate leaders.

The recommendations they will present to President Bush this summer will affect the decisions we all will make in the years ahead. None of us can afford to sit on the sidelines. We all have to weigh in and make our voices heard. We all have to get engaged.

Thank you for your support this past year. And thank you for keeping our commitment to provide universal service to all our customers.

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