

**Postmaster General John E. Potter's Keynote Address
National Postal Forum General Session
March 21, 2005**

Welcome to this year's National Postal Forum. Thanks for coming. Anita tells me we have over 6,000 of you from every segment of our industry in attendance today. You'll be able to visit over 500 booths in the Exhibition Hall - the largest number in any of the past eight Forums.

Your attendance today endorses the changes we've made to make the Forum more relevant to you and more relevant to how you do business every day. Those of you who've attended forums in the past already know this is the place to learn about the issues and challenges that will affect your businesses and our industry in the year ahead.

For those of you who are here for the first time - and about a thousand of you are in that category - I want to welcome you and assure you that this Forum will be one of the most important business meetings you will attend this year.

And Nashville is a great city to host National Postal Forum, too. It's part of America's heartland; it's a vibrant, growing city; it's the home of country music, and the Grand Ole Opry. There's a sense of optimism about the future in this city. It's the kind of optimism I feel for the future of the mailing industry.

When we were at the Forum in Washington last September, I felt confident and excited about the outlook for mail and for our industry. I asked you to join with me to develop and find new ways to show how resilient mail is. You've delivered! Thank you.

The last three months of 2004 October, November, and December, demonstrated that mail continues to reach millions of Americans every day. And as I've traveled around the country in January and February, I've heard that same sense of optimism from everyone in the industry. The small business entrepreneur who for the first time is using the mail has seen results. So are corporate leaders of major financial institutions who depend on the mail to build new customers and continue relationships with existing ones.

At the outset, I want to say that the state of the Postal Service and the industry today and for the near term is "excellent." We've *all* been doing a lot of things right. And with a strong, growing economy, I believe Americans will continue to turn to the mail to learn, to buy, and to communicate.

Traditionally, this is the time when we get a chance to learn what's new in the industry - new technologies, new products, and new ideas to help you grow your business. Mail offers a competitive advantage. Who would have thought that a small company like Netflix would become a major success story by relying on the mail. And now, Blockbuster and Wal-Mart are taking the same approach with their DVD rentals: They're using the mail.

And look at Dell Computers and eBay - two other major business successes who rely on catalogs in the mail to give them a competitive advantage. And look at direct mail catalogers who at one time thought they could rely on the Internet exclusively to reach customers. Now, they've found the marriage of mail and the internet has doubled customer sales.

I also know of a major bank that has rethought how it approaches delinquent customers. Instead of relying on the old methods of pestering telephone calls, they've found that Certified and Registered Mail letters are more effective.

Mail: it's a competitive advantage.

These success stories represent a new type of partnership that's emerging between the industry and the Postal Service. We're also here to celebrate the partnership for progress that has been the hallmark of the National Postal Forum for the past 37 years.

This morning I want to recognize someone who has helped build that partnership and help our industry grow stronger. As chairman and CEO of PSI Group Incorporated, he has worked hard to build his company into the largest and most successful presort company in America. He established a partnership with the Postal Service that spans the past 10 years - a partnership that has served to strengthen worksharing programs that benefit the entire industry. To honor him for his contributions to

our industry, I am pleased to present this Partnership For Progress Award to a true friend, true partner, and a true leader in the mailing industry.

Ladies and gentlemen, would you please join me in congratulating Bob Krohn. Bob, would you please come up on stage. Let's hear a round of applause for Bob. I'm sure Bob would agree that over the past 4 years, we've seen our partnership overcome many challenges - from the uncertainties of a sluggish economy to acts of terrorism.

I used the word "resilient" a moment ago. The mail, the Postal Service, and the mailing industry truly are resilient! Our industry has withstood these tests of time. Together, we have persevered. We have stood shoulder to shoulder to meet the challenges of the past and lay the groundwork for a great future.

You'll recall that Congress enacted Public Law 108-18, the Civil Service Retirement System Funding Reform Act of 2003. The good news for the industry - as most everyone here knows - is that the legislation helped the Postal Service avoid overfunding our Civil Service retirement obligation by reducing our payments to the program. These reduced payments - combined with our \$8.8 billion in cumulative cost savings and 5 straight years of productivity gains - have allowed us to keep my pledge to hold rates steady until 2006.

Given our recent financial performance, an improved revenue picture combined with aggressive cost reductions over the past 3 years, we likely would break even in 2006 and could have put off a rate increase until 2007.

Unfortunately, unless there's a change in the law, that won't happen. Because the 2003 Civil Service Retirement System legislation also called for the establishment of an escrow account beginning in 2006 of \$3.1 billion. Use of the money in the escrow account is subject to the direction of the Congress. Were we to be able to use these funds for operating expenses, there would be no rate increase until 2007. Over the past year, we've worked with industry leaders, the Administration, and members of Congress to clarify the escrow requirement.

In the meantime, we have no choice but to file a rate case to cover the amount of the escrow fund. Today, we are forwarding management's recommendations to the Governors of the Postal Service. Our recommendation to them is to file a rate case with the Postal Rate Commission for an across-the-board rate increase between 5 and 6 percent

The increase simply funds the escrow requirement. The proposal would increase the cost of a First-Class postage stamp by 2 cents - and comparable percentage increases for other classes as well. If the Governors approve management's proposal, our formal filing with the Postal Rate Commission will follow shortly.

We have been discussing management's proposal with industry leaders for several weeks now since we believe it is in everyone's interest to reach settlement - and avoid the 10-month litigation period that traditionally occurs in rate filings. I also want to assure everyone here that our filing is tied to the outcome of any legislation. When and if legislation is enacted that mitigates the \$3.1 billion escrow requirement - and I remain optimistic that will happen - we will modify our filing.

Had we taken a more traditional approach to this rate case, we would have filed for a double-digit rate increase with the notion of holding rates stable for two years. I did not think that was in the best interest of the industry. I know that everyone here is concerned about the impact of the escrow funding.

Let's review the issue and hear what several industry leaders have to say [via video]. As you noticed in that video, all of these people are committed to lending their voices to resolve this issue. We've achieved a great deal together over the past year. For the first time since postal reorganization 34 years ago, postal reform bills made it out of their respective House and Senate committees. Among other things, both bills eliminate the escrow fund.

Although the last Congress simply ran out of time to act on the bills, we came closer to comprehensive reform legislation in 2004 than at any time in the past decade. Here we are 10 years later and we're still making the case for legislative change. The difference between then and now is we've finally gotten the attention of the right people - people like Senators Susan Collins and Tom Carper and Congressmen Tom Davis, Henry Waxman, Danny Davis and John McHugh.

Just three weeks ago, the White House submitted its recommendations for postal reform to the Congress - adding the Administration's support for a meaningful reform bill and boosting expectations for legislation that will give us the tools to unleash the power of the mail.

To tell us a little more about the prospects for reform, please join me in welcoming the Chairman of the Postal Service Board of Governors, Jim Miller.

[Discussion on letter from Board of Governors to Congress on reform.]

Jim mentioned that these are critical times in the history of the Postal Service and the entire mailing industry. I want to thank Jim for his personal time and effort. It's all about getting things done.

And speaking about getting things done, I remember four years ago when John Nolan talked about how we would write the history of the Postal Service over the next several years.

We dug deep into our archives to retrieve this next video clip of what John had to say when former Postmaster General Bill Henderson asked him to come back from his job at Merrill Lynch to become Deputy Postmaster General back in the fall of 2000. Ladies and gentlemen, would you please join me in welcoming the Deputy Postmaster General, Mr. John Nolan. [Discussion about Transformation Plan successes.]

John, I know that keeping track of time will probably be the least you'll have to worry about in retirement. But as a reminder of the appreciation that all of us in the industry have for you and what you've contributed to the industry as Deputy Postmaster General, I'm pleased to present this gift to you and Joyce with our best wishes for a happy and fulfilling retirement.

You know, now it's up to us to write the next chapters in the Postal Service book that John Nolan talked about. We've embarked on an effort to extend on a Transformation Plan to 2010. Looking forward to 2010, I have several thoughts on where we should strive to be – all within the current legislation. Let's start by continuing to strive for 100 percent on-time service performance.

In the near term, I want to cut the difference in half. I also want us to cut by 50 percent the amount of undeliverable as addressed (UAA) mail. Why not 100 percent of the mail bar-coded to 11 digits?

I envision a seamless acceptance process -- where your electronic manifest is verified online. Annual increases in postal productivity will become the norm. Annual pricing adjustments -- so we can forever end discussions of "rate shock." And we need to be bold and create pricing models that make sense for you and for us.

We must continue to motivate our entire organization -- 700,000 strong to focus on the customer, driving customer satisfaction to new heights.

In that regard, we will continue to extend the Postal Service ubiquity through Automated Postal Centers and expand the product offerings on usps.com – imagine 100 plus million retail outlets with the personal touch as our carriers deliver the daily mail. You can plan your business future around that. It won't happen immediately, I know that. But we have to start moving now in that direction. But this is not just about my vision. We need to know what *your* vision for the future looks like for your business. We need to hear from you about how we fit into that vision and how we can fulfill your needs as we look forward to 2010 and a new Transformation Plan for the future.

Let's take a look at what some of you had to say about their needs for the future [via video]. We can't afford to wait around until a crisis hits us to start addressing those issues. We need to do the hard work of asking the hard questions about where we want this industry to be five years down the road.

What should we be doing today to be successful in 2010? When we put it all together, we will create a Transformation Plan that is totally customer-oriented -- one that reorients our entire corporate culture and transforms our operational strategies toward the needs of the customer.

We need your ideas and we'll be reaching out to Postal Customer Councils and MTAC. You'll be able to provide your feedback directly to us on our website -- www.usps.com. And you'll be able to do it right here at the Forum this week. We can tackle these issues and a lot more. But we have to do it together. This is not just about the Postal Service. It's not about the Postal Service, it's about you -- our customers. That means you and everyone in this industry must step up to the plate and let your needs and voices be heard.

It all starts today. While you're here at the Forum, stop by our Transformation Workstation in the Postal Service consultation area of the Exhibit Hall where you can pick up a survey to tell us about your needs and ideas for the future. Our plan is to have *Transformation Plan 2006-2010* finished and ready to distribute to our stakeholders by September 30th.

The new Transformation Plan will not be just a "to-do" list, etched in stone. Instead, it will be a blueprint for making continuous improvements in every segment of the business. We'll revise and update it every year to accommodate your changing needs and the changing needs of the mailing industry ... and hopefully, will change it as the legislation that guides us changes.

The important point I want to emphasize is that everyone must get engaged in creating this Plan. While you're here this week, take advantage of the many workshops and business sessions to increase your understanding of the issues that are important to our industry. Learn more about the legislative issues we've talked about this morning and how they can affect the future of your business.

We've already written the first chapter on the success story of the past. It's time to start working on future chapters. It's time we're all of one mind when it comes to charting the course for our future. Let's stay engaged. Let's stay the course. And, help us build a strong future for our business.

I'm excited about the future of the mail. The opportunities are boundless. Let's get out there and grow the mail!! Thank you.

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