

**REMARKS OF
JOHN E. POTTER
POSTMASTER GENERAL/CEO
MEETING OF THE BOARD OF GOVERNORS
WASHINGTON DC**

NOVEMBER 15, 2007

Good morning, Mr. Chairman, and members of the Board.

We've got some great news this month – as we closed the books on fiscal year 2007, they showed that we achieved the best service year in the history of the Postal Service. We hit new records in multiple service categories. And total-factor productivity improved by 1.7 percent – for an unprecedented eighth consecutive year of growth.

Delores Killette, Vice President and Consumer Advocate, and Glen Walker, Chief Financial Officer and Executive Vice President, will give us full reports later in the meeting. These results are the product of the efforts of Deputy Postmaster General Pat Donahoe and everyone in the operations organization – in the field and at headquarters.

We faced some challenges early in the year, but our people pulled together. And once they hit their stride, they pushed even harder, delivering strong and steady progress in efficient, on-time delivery all year. On behalf of myself and, more importantly, on behalf of our customers, I offer my thanks to each one of them for a spectacular job.

At our last meeting, I spoke about the level of activity that's been taking place throughout the entire postal community as we work to implement the provisions of the new postal law. I'm pleased to report that the progress continues.

Just two weeks ago, the Postal Regulatory Commission issued new rate regulations for our market-dominant and competitive products. This takes us a giant step closer to moving from an infrequent, primarily cost-based pricing model, to annual, market-based price adjustments.

I'd like to offer my thanks to Chairman Dan Blair and the entire Postal Regulatory Commission for their efforts. They completed this important task many months ahead of the statutory deadline, and they did it with the input of a broad spectrum of postal stakeholders.

My thanks to the Board of Governors for their decision to use the new procedures for future price changes. We'll work hard to make the most of the pricing flexibility under the law.

We've also been making progress in a number of other key areas related to the requirements of the new law. After months of work – and in collaboration with all elements of the mailing community, through the efforts of the Mailers Technical Advisory Committee – we published our proposal for updated service standards in the Federal Register on October 17. The 30-day comment period closes tomorrow. We will be considering all responses over the next several weeks as we prepare to publish the final standards by December 20.

At the same time, we're continuing our discussions with the Postal Regulatory Commission on a related subject – establishing new measurement systems to assess our performance against the modern service standards once they're implemented. We look forward to reaching agreement on this issue in the near future.

Speaking of performance, our field teams in Southern California recently overcame immense challenges and kept the mail moving for residents of communities and neighborhoods that were destroyed, evacuated, or threatened by the devastating wildfires in late October. We're all relieved that none of our employees were injured and that none of the many dozen post offices in the fire-ravaged areas were lost. And many employees, despite their own personal hardships, did everything they could to personify our unofficial motto, "Neither snow, nor rain, nor heat, nor gloom of night stays these couriers from the swift completion of their appointed rounds." This brief video will give you a sense of their efforts during this difficult period.

(Wildfire video plays)

Again, I want to acknowledge the efforts of our people in working through such a difficult situation.

As we approach the busy holiday mailing season, we've begun a new campaign to let our customers – consumers and businesses – know how today's mail can make their busy lives easier. It's fresh, new, and most important, it's relevant. It lets customers know we provide the convenient services that complement the way they live and work today – and each one of those services is as close as their personal computer. That's what today's mail is all about.

The campaign focuses on what you can do today – right from home, right from the job, or anywhere in between. Things like shipping packages, buying stamps, changing your address, putting a hold on your mail, creating customized postage of your kid's artwork, or using our free eco-friendly packaging.

And if you're a business mailer, you can do even more, like tracking domestic and international shipments – from wherever you happen to be – and learning how catalogs can really drive up traffic and spending on your website. That's never so important as now, as consumers are searching for ways to make the most of the hectic holiday shopping season.

We launched the campaign with full-page ads in USA Today on October 22. The multi-channel effort includes print ads, website banners, microsites within the usps.com website, and postcards mailed to every household in America.

As the theme of our holiday campaign says, "Today's holidays need today's mail." And today's mail includes two powerful shipping tools – Click-N-Ship and free package pickup. With Click-N-Ship, customers can print out shipping labels, with or without postage, right from home. Free package pickup takes that a step further by having your letter carrier pick up your postage-paid packages right from your door – at no extra charge.

During this Veterans' Day week, I want to make another point about holiday mail. Many of the men and women of our armed forces will be separated from their families and friends during the coming holiday season.

Whether they're serving in combat zones or other postings abroad or here in the states, they'll be relying on letters, cards, and packages from home to keep them in touch and connected. If you're mailing to someone serving overseas, you'll want to make sure your mailing reaches them in plenty of time. You can do that by following the military mailing dates posted on our website, usps.com. As far as the Postal Service is concerned, this is the most important mail we'll be handling all year, so we'll be working closely with the Military Postal Service Agency to bring our troops a touch of home for the holidays.

On the operations side, we're ready for the onslaught of billions of holiday cards and packages, with added trucks, planes, and people.

And speaking of people, a number of our employees have just been honored for their achievements.

Pritha Mehra, our manager of Marketing Technology and Channel Management, was named a “woman worth watching” in a special issue of *Profiles in Diversity Journal*, celebrating the achievements of leading women executives. “Women worth watching” are nominated by colleagues, peers, and mentors for showing outstanding initiatives and professional achievements.

Pritha is responsible for our business mail acceptance activities nationwide. More than 70 percent of the nation’s mail comes into the Postal Service through these units. She has focused on using the latest information technology to streamline and automate the mail acceptance process, saving time and money for mailers and for the Postal Service. These efficient, modern processes provide automated scheduling, payment, and verification for high-volume mailings. Pritha, can you stand up for a moment please?

Thank you!

And just this week, our Supply Management Group was recognized with a special honor at the Aberdeen Group’s Chief Procurement Officer’s Summit on Global Supply Management. The Aberdeen Group is a leading supplier of fact-based research, educating technology buyers with the facts they need to act on business and technology.

The Postal Service was awarded the prestigious “Innovation in Technology” award. This reflects the tremendous progress we’ve made over the last several years as we’ve successfully moved from a traditional purchasing function to an innovative and flexible supply-chain management activity.

The award is a specific recognition of our use of flexible bidding, based on its application and benefits for the sourcing of pallets, one the key bulk-mail containers used in our processing and transportation operations. Our presentation explained both our strategy and the use of technology to support this effort.

I’d like to ask Susan Brownell, our vice president of Supply Management, and Dave Paige, Charlie Hockstein, Pete Lamarca, and Robert Oates, who were instrumental in earning the award, to join me up front for a photograph.

Thank you.

And this is the perfect time to offer my thanks to Dawn Tisdale, Vice Chairman of the Postal Regulatory Commission, as well. Dawn is retiring after a career that began more than 40 years ago when he began walking a route as a letter carrier in Austin, Texas.

Before being named by the president to the former Postal Rate Commission in 2004, Dawn also served in a number of other postal positions, including 11 years as Postmaster of Smithville, Texas. This brought a unique and valuable insight into the operations of the Postal Service to his work as a Commissioner. I enjoyed working with Dawn and I wish him and his wife, Vanessa, nothing but the best as they explore a new dimension of their lives.

Before I close, I want to raise a serious concern. For October, the first month of fiscal year 2008, our revenue was \$300 million below plan. While we were able to offset that by \$160 million through stringent expense management, it still left us \$170 million below where we need to be.

This is a situation that we might normally expect could be made up during the course of the fiscal year. But larger economic trends are not encouraging over the next several months. A weakened dollar, credit and mortgage problems, and a very soft housing market are affecting the overall economy, with slowdowns in business and consumer spending. Economic forecasts suggest that this will affect holiday spending.

Overall, this is a disturbing indicator for mail volume and revenue, both in the short term and perhaps longer. While it's too soon to accurately predict how these trends will ultimately affect our bottom line in 2008, we will work hard to pare down costs as we keep a sharp eye on our financial indicators.

Mr. Chairman, that concludes my remarks.

#