

MEMO to MAILERS

PMG
TO
MAILERS:

IT'S
ABOUT
REFORM

Postmaster General Bill Henderson told mailers at the National Postal Forum (NPF) that the real postal story is about more than finances — it's about reform. Noting that USPS may lose \$2 billion to \$3 billion this year, Henderson says the Postal Service's bottom line "is only the symptom of a larger problem — a regulatory model that does not provide the Postal Service with the flexibility it needs to succeed in a radically changing market."

Henderson, addressing his final forum as Postmaster General, told the mailers gathered in Orlando, FL, "Your success, to a large part, is dependent on our success. Affordable, universal mail service is what you expect from the Postal Service. It's something we want to deliver. But delivering it will become increasingly difficult."

Looking back over his tenure, he noted past successes — record mail volumes, record service achievements and record productivity. He cited product introductions and service enhancements that have benefited mailers. But the economic environment has changed. "There are some gale warnings," he says.

"Each of you is trying to do more with less," he told the mailers. "In pursuing that goal, you have the ability to adapt. You have the tools we do not." He says costs are increasing faster than inflation, and third-party arbitration decisions and automatic pay increases mean USPS has little control over some labor costs and, therefore, little control over pricing.

"Diminishing growth in First-Class Mail, coupled with higher growth in lower-priced

WHAT'S INSIDE

- 2 MAILING INDUSTRY TASK FORCE
- 4 NPF AWARD WINNERS
- 5 NNA AWARDS
- 6 OPEN THE GLOBAL DOOR
- 8 POSTeCS

LEGISLATIVE UPDATE

COST-SAVING MEASURES STUDIED

The Postal Service Board of Governors directed management to study cost savings associated with reducing delivery service to five days and consolidating postal facilities.

The Board reaffirmed its commitment to universal service and reinforced its call for the need for statutory reform of the laws governing the Postal Service.

At a hearing April 4 before the House of Representatives' Committee on Government Reform, David Walker, comptroller general of the United States, said the Postal Service's deteriorating financial situation calls for prompt, aggressive action in the areas of cutting costs and improving productivity. He added that the Postal Service's *transformational efforts* and long-term outlook were being placed on the General Accounting Office's "high-risk list." Walker says the challenges call for structural change for USPS to remain viable, but current law limits the Postal Service's ability to transform itself. ■

RATE HIKE NOT A GIVEN

PMG Bill Henderson says the Postal Service may have to file for a rate increase of 10 to 15 percent as early as this summer "but we're not taking a potential rate hike as a given just yet." Henderson asked Deputy Postmaster General John Nolan to explore alternatives to filing a double-digit rate hike this year. Noting that mailers have said there may be other options, Henderson says Nolan will take a close look at them. "We'll keep you informed of our progress," the PMG told mailers at the National Postal Forum.

Mailing industry task force

A Mailing Industry Task Force will assess the current role and value of hard-copy mail in business and consumer communications, evaluate the competitive environment affecting the industry's future and identify opportunities for future growth.

The formation of the task force was announced at the National Postal Forum by Deputy Postmaster General John Nolan and Michael J. Critelli, chairman and CEO of Pitney Bowes. The task force steering committee will be co-chaired by Nolan and Critelli.

"The mailing industry is being reshaped by waves of change in the marketplace," Nolan says. "To enhance the mail's value as a primary communications tool, we want to bring together the best thinking and the best research to generate the best ideas. This executive-level group will offer recommendations for a course of action so the mailing

industry can effectively compete and thrive in the future."

Critelli says, "While we see significant change in the mailing industry and a growing mix of paper and electronic communications, we also see tremendous opportunities to make mail even more valuable to customers."

Nolan says task force participants will come from all segments of the industry: customers, paper and print, creative, addressing, postage payment, distribution and delivery, and industry associations. In addition, the task force will include organizations such as universities and research groups that can provide data on consumer behavior, economic trends and technology that will affect the mailing industry.

Nolan says the task force will provide a substantive report at the next National Postal Forum in October. ■



Deputy Postmaster General John Nolan says the task force will offer recommendations for the future.

"Your success, to a large part, is dependent on our success. Affordable, universal mail service is what you expect from the Postal Service."

William J. Henderson
Postmaster General and CEO

REFORM

continued from page 1

Standard Mail, has hindered our revenue growth," the PMG says. "At the same time, the Postal Rate Commission reduced our revenue request by a billion dollars in our last filing."

The Postal Service is doing its best to adjust to these changing conditions, he says. USPS has frozen capital commitments on more than 800 facility projects. The Postal Service has committed to reducing costs by \$2.5 billion by 2003, and over the next five years plans to cut 75,000 workyears, squeeze administrative costs by 25 per-

cent and reduce transportation costs by 10 percent.

"But we can only go so far in cutting costs," says Henderson, noting that USPS must continue to reach every home and business in America, including 5,600 new delivery points each day.

Henderson says the Postal Service's "hands are tied" when it comes to some types of innovation. USPS can't change prices in response to market changes, offer discounts during slack operational time or introduce new products and services without months of preparation and hearings, he says.

Despite USPS' best efforts, and without the tools it needs,

Henderson says, it always comes down to a rate hike when the Postal Service can't meet the legal requirement that revenues match costs. "It's not the way we want to go, but sometimes it's the only way we can go if we are going to preserve the infrastructure that supports universal service."

As uncertain as the future looks, Henderson says the Postal Service's regulatory model can be fixed "before we are faced with a crippling crisis." But to do it, he warns, will require the most significant innovation seen in more than 30 years.

"It will require comprehensive postal reform," he says. ■

Certified mail ONLINE

The Postal Service's traditional certified mail product is now available via the Internet. USPS partnered with USCertifiedLetters to add this new offering to a suite of hybrid electronic services (correspondence that originates in electronic form and is delivered as physical mail) designed to save customers time and money and to reaffirm the relevancy of hard-copy mail.

Customers can create a letter and transmit it electronically to the Postal Service via www.usps.com. The certified mail system, powered by USCertifiedLetters, verifies the mailing address, adds the appropriate barcode, prints and folds the letter and automatically completes the certification forms. Certified mail, available for First-Class Mail or Priority Mail, provides a mailing receipt and a record of delivery, both retained at the recipient's Post Office. A return receipt that provides the sender with proof of delivery can also be purchased for an additional fee. ■

Two new advertisers sign with Postal Ad Network

Pitney Bowes Inc. and Replacements Ltd. are the newest advertisers to sign on with the Postal Ad Network.

Pitney Bowes will advertise its postage meters and scales for small businesses and its Internet postage product, ClickStamp, on Priority Mail envelopes.

Replacements, which sells china, crystal and silver, will co-advertise on postal vehicles in 11 major markets. ■



USPS Expedited/Package Services President John Kelly, USPS Core Business Marketing Vice President John Ward and Replacements Ltd. Marketing Vice President David Heller (l to r) in front of co-advertising on postal vehicle.

USPS delivers desktop convenience to nonprofit organizations

The desktop convenience and efficiency offered with the NetPost Mailing Online service is available to nonprofit organizations — at nonprofit rates.

Qualified nonprofit organizations can now electronically transmit documents, correspondence and newsletters along with mailing lists to the Postal Service via www.usps.com. The electronic files are securely distributed to

printing contractors located nearest to the delivery destination, where they are printed, inserted into correctly addressed envelopes with appropriate postage, sorted and then transported to the Post Office for processing and delivery.

Nonprofit organizations wishing to use NetPost Mailing Online will be required to input their original nonprofit authorization number and city of origi-

nal authorization to gain access to the nonprofit rates. The NetPost Mailing Online system will validate the authorization number against the Nonprofit Service Center database in Memphis, TN.

Organizations that qualify as nonprofit include religious, educational, scientific, philanthropic, agricultural, labor, veterans and fraternal organizations that are not for profit and have none of their net income going to any private stockholders or individuals. ■

2001 POSTAL SERVICE SOCIAL AWARENESS AWARD

The Dave Thomas Foundation for Adoption was honored with the Postal Service's 2001 Social Awareness Award at the National Postal Forum.

The foundation and its founder, Dave Thomas, were recognized for being instrumental in the use of the Adoption Awareness stamp as a vehicle for highlighting this important cause. ■



CONGRATULATIONS

National Postal Forum

2001 Award

Winners

Social Awareness

**Dave Thomas and
The Dave Thomas
Foundation for Adoption**
Columbus, OH

Partnership for Progress

Eula Adams
Executive Vice President
First Data Corporation
Omaha, NE

Mark Bozek

President and CEO
HSN
St. Petersburg, FL

Nigel W. Morris

President and COO
Capital One Financial
Corporation
Falls Church, VA

Mail Center Manager

Bob Beiersdorf
*Manager of Professional
Services and Distribution*
UNIPAC Service Corporation
Aurora, CO

Vernon Betts

Mail Center Manager
AmerenUE
St. Louis, MO

Erasmio B. Haibi

*Department Manager of Office
Services*
Consolidated Edison Company
of New York
New York, NY

James F. Hart

Director of Postal Operations
U.S. Navy Consolidated Mail
Facility
San Diego, CA

Caroline Hayduski

Distribution Manager
Chico's FAS Incorporated
Ft. Myers, FL

Brad S. Hazenstab

*Data Processing and Mail Shop
Manager*
News Printing Company
Claysburg, PA

Greg Kilmer

*Assistant Director of Mail and
Transportation Services*
Cornell University
Ithaca, NY

David Long

*Assistant Vice President of Output
Processing Services*
SunTrust Bank
Richmond, VA

Carl Noeller

Fulfillment Operations Manager
Bennett Brothers
Chicago, IL

David Proper

Departmental Mail Manager
Department of Transportation
Washington, DC

Franklin Stiba

*Operations Manager for Mail and
Supplies*
Teacher Retirement System of
Texas
Austin, TX

Special Achievement

Joseph Ball

Executive Vice President
Florida Gift Fruit Shippers
Association
Orlando, FL

Manuel A. Casiano

*Chairman of the Board and
Editor in Chief*
Casiano Communications
San Juan, PR

Lee Dague

Chief of Mail Services
San Diego County, CA

Greg Drummond

*Project Manager of National
Customer Operations, National
Claims Intake*
Aetna U.S. HealthCare
Blue Bell, PA

Steve Garza

Director of Allentown Operations

Philip K. Jones

Director of Production Systems
Graphic Management Associates
Incorporated
Bethlehem, PA

Daniel P. Hackett

*Manager of Mail Services,
Strategic Planning*
BlueCross BlueShield of Michigan
Detroit, MI

Lisa Heltemes

Regional Routing Center Manager
Midwest Auto Clubs, LLC
Milwaukee, WI

Guido Karp

Founder and CEO
Fans UNITED AG
Hohr-Grenzhausen, Germany

Peter J. Kight

Chairman and CEO
CheckFree Corporation
Norcross, GA

Dawn Mellas

*Director of Account
Development*
INFINI Enterprises
Elk Grove Village, IL

Leonard Michaels

*Vice President of Security, North
America*
American Express
New York, NY

Nancy Moon

Manager of Operations Control
Cass Information Systems
Bridgeton, MO

Gerald A. Pappa

*Vice President of Logistics
Planning*
HSN
St. Petersburg, FL

Laine Ropson

*National Postal Services
Manager*
Moore Business Communication
Services
Bannockburn, IL

Susan E. Stansfield

*Marketing Director of Strategic
Distribution*
Travelers Property Casualty
Hartford, CT

Richard Voght

*Director of Distribution and
Planning*
USANA Health Services
Incorporated
Salt Lake City, UT

Thomas Wojtek

Vice President of Operations
Legg Mason
Baltimore, MD



2001 NNA award

GOES TO NORTH DAKOTA POSTAL EMPLOYEE

Which postal employee best represents the spirit of Benjamin Franklin, newspaper publisher, statesman and postmaster? According to the National Newspaper Association (NNA), it's Louise Potocki, mailing standards specialist in Bismarck, ND. Potocki was selected as the national winner of the 2001

Benjamin Franklin Community Newspaper and Postal Partnership Award of Excellence.

The NNA and USPS partnered for the third year to recognize outstanding postal employees. NNA members submitted nominations of local USPS employees, and judges in each state selected winners from those nominations. NNA's Postal

Committee, chaired by Max Heath of Landmark Community Newspapers in Shelbyville, KY, selected Potocki as the national winner from the group of state winners.

Potocki was nominated by publisher Jerome Schwartzberger of the North Dakota *Napoleon Homestead*, who said she "has always been willing to listen to the problems of the publishers and attempt to correct the problem." In addition to the time she gave to individual situations,

Potocki attended both North Dakota state and regional newspaper conventions to keep community newspapers up-to-date on current regulations. Schwartzberger further noted that, "Newspaper publishers are fortunate to have persons such as Louise in the postal department so they can relay their problems and concerns and get some results in a mannerly fashion." ■

Benjamin Franklin 2001

THE WINNERS BY STATE AND THE NNA MEMBERS WHO NOMINATED THEM

ALABAMA

Edward C. Abrams

Wilton Post Office
Shelby County Reporter

ALASKA

Chris Oberholtzer

Annex-Nome
The Nome Nugget

ARKANSAS

Larry Childers

DeWitt Post Office
DeWitt Era-Enterprise

CALIFORNIA

Xavier Ruiz

Big Bear Lake Post Office
Big Bear Grizzly

COLORADO

Garry Gilmore

Colorado Springs P & DC
Rocky Ford Daily Gazette

FLORIDA

Kathi Keller

Jacksonville Post Office
Daily Record

GEORGIA

June Mills

St. Marys Post Office
Tribune & Georgian

IDAHO

Gordon Cole

Preston Post Office
Preston Citizen

IOWA

Jerry Doyle

Manchester Post Office
Manchester Press

ILLINOIS

Larry Delahunt

Breese Post Office
The Breese Journal

KANSAS

Jack Barnes

Sabetha Post Office
The Holton Recorder

KENTUCKY

Pauline Applegate

Vanceburg Post Office
The Lewis County Herald

LOUISIANA

Randy Price

Many Post Office
The Sabine Index

MARYLAND

Chris Davis

Main Post Office, Baltimore
The Dundalk Eagle

MASSACHUSETTS

Nancy Carr

Holden Post Office
The Landmark

MINNESOTA

Al Rux

Thief River Falls Post Office
Thief River Falls Times

MISSOURI

Nancy Dankenbring

Concordia Post Office
The Concordian

NEBRASKA

Galen Norris

Bertrand Post Office
The Bertrand Herald

NEW YORK

Rae Culotta

Wantagh Post Office
Wantagh-Seafood Citizen

NORTH CAROLINA

Dominick Spadaro

Atlantic Beach Post Office
Carteret County News-Times

NORTH DAKOTA

Louise Potocki

Bismarck Sectional Center Postal Facility
Napoleon Homestead

OHIO

Carole Kuhlman

Greenhills Post Office
Greenhills Journal

OKLAHOMA

Jane Hoffmann

Boise City Post Office
Boise City News

OREGON

Edward 'Andy' Anderson

Veneta Post Office
West Lane News

SOUTH CAROLINA

Phil Smarrella

Myrtle Beach Post Office
Myrtle Beach Herald

TENNESSEE

Dennis West

Cookeville Post Office
Herald-Citizen

TEXAS

Carthol Marsh

Whitney Post Office
Lake Whitney Views

UTAH

Curtis Marsh

Richfield Post Office
Richfield Reaper

VERMONT

Antoinette Betit

West Dover Post Office
Deerfield Valley News

VIRGINIA

Walt Korndoerfer

Wytheville Post Office
Southwest Virginia Enterprise

WASHINGTON

Rick Weisgerber

Tonasket Post Office
Omak-Okanogan County Chronicle

WISCONSIN

Marsha Ryan

Frederic Post Office
Inter County Leader

WYOMING

Sally Reher

Pine Bluffs Post Office
Pine Bluffs Post

OPEN THE global door

Do you hear opportunity knocking in developing markets? The Postal Service's Global Business Development group does, and it is working to open the door even wider to expedited and package delivery services from these regions to the United States. Agreements were inked recently with overseas partners to improve delivery service from India and Latin America to the United States.

An agreement between USPS and India-based Overnite Express Ltd. "will help us meet the increasing demand from businesses in multi-national enterprises for seamless delivery from India to the United States," says James Wade, vice president, International Business.

India is a growing market for international delivery services, with approximately 3.5 million Indians living in the United

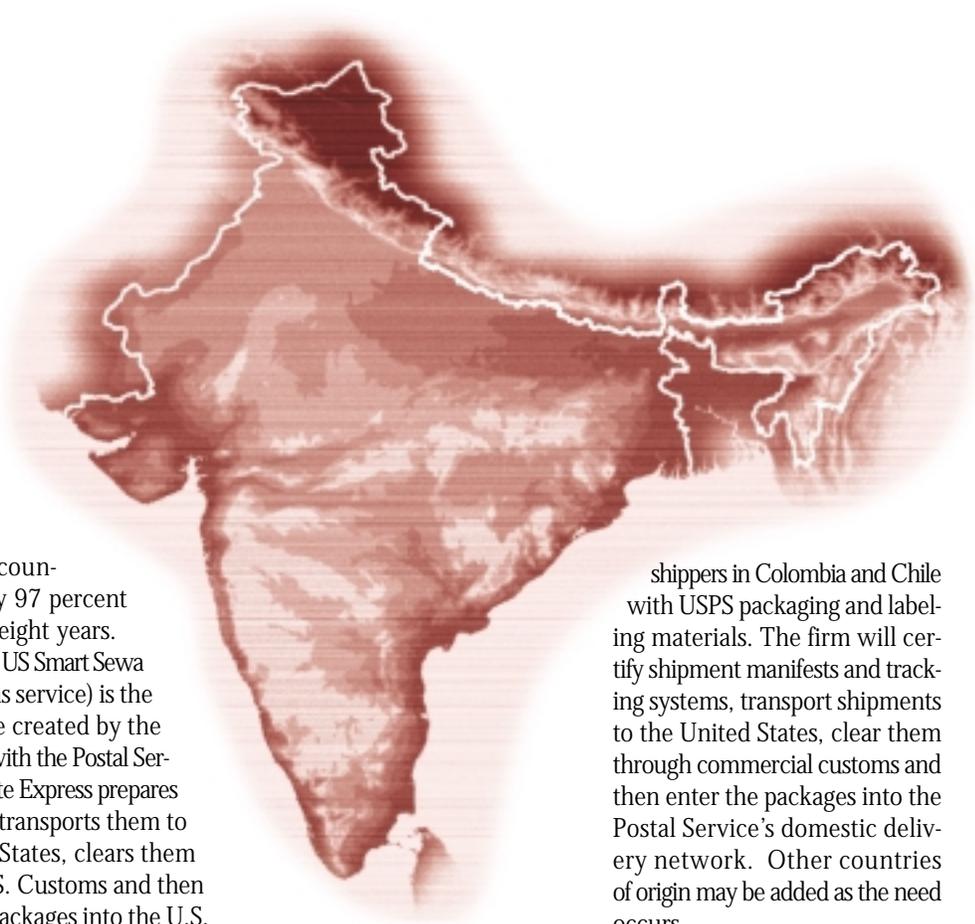
States. Overall trade between the two countries rose by 97 percent in the past eight years.

Overnite's US Smart Sewa (sewa means service) is the new service created by the agreement with the Postal Service. Overnite Express prepares shipments, transports them to the United States, clears them through U.S. Customs and then enters the packages into the U.S. domestic mail delivery system using the Priority Mail Network.

"Once these packages are in the Postal Service Priority Mail Network, Indian business customers enjoy all the features of our secure and reliable Priority Mail service," says Robert J. Edwards, manager, Asia Pacific



O.P. Rajgarhia, CEO (l), and Alexander Thomas, COO, of Overnite Express Ltd. sign the agreement with the U.S. Postal Service.



shippers in Colombia and Chile with USPS packaging and labeling materials. The firm will certify shipment manifests and tracking systems, transport shipments to the United States, clear them through commercial customs and then enter the packages into the Postal Service's domestic delivery network. Other countries of origin may be added as the need occurs.

Region, Global Business Development.

Overnite Express has 14 regional hubs in India which operate 24 hours a day, year-round, and 800 offices in all major centers in India. It also offers service to more than 1,000 cities worldwide.

"This agreement marks another step toward our goal of building a global network for premium delivery service from around the world into the United States," says Edwards. "It's an excellent example of how the Postal Service can use partnerships to maximize our service in developing markets."

Latin America is another developing market where interest in Postal Service products and services is high. The Postal Service will work with eLogistics Management Solutions (eLMSolutions) of Miami, FL, to expand Express Mail, Priority Mail and Standard Mail from South and Central America to the United States.

Under the 40-month agreement, eLMSolutions will provide

Initially, services will be available from the major cities of Colombia and Chile. By the end of the year the services will expand to selected cities in other countries.

"We searched the region for a supplier to work with and found that eLMSolutions had a very sound and flexible business structure, backed by a solid management team experienced in doing business in this part of the world," says Herb Cantor, manager of USPS Global Business Development for Latin America.

eLMSolutions is a wholly owned subsidiary of Fiera, Inc., an e-commerce company that serves the Spanish- and Portuguese-language communities worldwide.

"With a combination of eLMSolutions' pickup/acceptance and logistics capability, the USPS delivery network and the right price, the Postal Service has the opportunity to build a strong base of customers in this region," says Cantor. ■

DELIVERING TRUST IN A CHANGING WORLD

Millions of people visit the Postal Service website — www.usps.com — every month. And these numbers are growing. As with any government agency or business, information security is a top concern.

The Postal Service is committed to safeguarding postal resources and creating an

environment that allows USPS' business partners, suppliers, customers and employees to conduct business in a secure environment while protecting the confidentiality, integrity and availability of information. This is reflected by USPS information security policies and practices, a corporate information security office, and a newly

formed executive steering committee chaired by the Deputy Postmaster General to ensure the appropriate priority in the organization.

Partnering with you to prevent security breaches is one of the best solutions for ensuring successful operations.

The Postal Service is guided by the following security principles:

Information is:

A critical asset that must be protected.

Restricted to authorized personnel, for authorized uses.

Information Security is:

A cornerstone of maintaining public trust.

Primarily a business issue, not a technology issue.

Prioritized based on business needs and government requirements and best practices.

Everyone's business.

FYI: ADVANCE NOTICE

ADVANCE is the Advance Notification and Tracking System for large, high-volume catalog and periodical mailers that lets them electronically give advance notice to the Postal Service of a mailing that requires specific in-home delivery dates. Mailers then use the ADVANCE web page to get status reports on their mailing, to see whether it arrived on time and in good condition. Confidentiality is protected through the use of unique passwords, so mailers can retrieve information about their mailings only, not others'. To get an information kit and requirements for using ADVANCE, call 1-800-458-3181.

EXPERIMENTAL PRIORITY MAIL PRESORT DISCOUNTS

The Postal Service filed a case with the Postal Rate Commission seeking a three-year experimental classification for Priority Mail presort discounts.

The filing includes discounts for three presort options: ADC (area distribution center — a mail processing facility that represents a state or a large portion of a state), 3-digit prefixes and 5-digit ZIP Code sorts.

"We are seeking to make Priority Mail more affordable and offer our customers more options and greater value," says John F. Kelly, president, Expedited/Package Services.

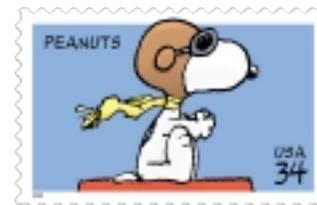
In order to receive the discounts, mailers must meet certain containerization, preparation and minimum quantity requirements. The containerization and prepa-

ration requirements may vary by mailer location.

During the experiment, the Postal Service will determine if incentives provided by the discount structure are attractive and beneficial to the mailing community.

BOUND PRINTED MATTER

The handling of undeliverable-as-addressed Bound Printed Matter pieces that are not mailed with a special service or an ancillary service endorsement will be the same as for Standard Mail. Undeliverable Bound Printed Matter pieces with no special service (e.g., Delivery Confirmation or insured) and with no ancillary service endorsement will be disposed of by the USPS as waste at the delivery unit. (Special *Postal Bulletin* 22039A dated 12/21/00-Page 20, DMM A060. *Postal Bulletin* is available on www.usps.com.)



The Peanuts stamp will be issued in May.

MEMO to MAILERS

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Change Service Requested

Safe, secure, fast, delivered!

It might not be able to leap tall buildings in a single bound, but **PosteCS™** — **Post Electronic Courier Service** — can deliver your important documents and large files at Internet speed, safely and securely.

PosteCS allows you to track when a document arrives at its secure web address, when the recipient has been notified of delivery and when the recipient has actually opened the package. An additional level of security is provided by USPS Electronic Postmark™, which provides date and time stamping and tamper detection.

You can use PosteCS to send sensitive, restricted information and lengthy files to customers or employees through the Internet in a highly secure manner. Have you ever faxed a multiple-page document only to learn later

either that your party didn't receive all the pages or that your party didn't receive the document at all? Instead of risking that kind of mishap, use PosteCS instead. Your recipient will get all the pages, whether it's one or a hundred, and you won't have to worry that someone else might inadvertently pick them up.

PosteCS is a cooperative venture of the U.S. Postal Service, La Poste of France, Canada Post Corporation and the International Post Corporation. La Poste and Canada Post recently signed licensing agreements with the Postal

Service to use the USPS Electronic Postmark technology with their respective PosteCS services, and it also will be offered to other posts.

Want to know more? You can get additional information and an online demonstration by visiting our PosteCS website at www.usps.com/postecs or calling our Internet Customer Care Center representatives at 1-800-344-7779. ■

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