UNITED STATES POSTAL SERVICE

POSTAL NEWS

FOR IMMEDIATE RELEASE
December 9, 2003

Contact: Media Relations
202-268-2155
Release No. 096
www.usps.com

# POSTAL SERVICE EXCEEDS FISCAL PLAN
# STAMP PRICES TO REMAIN UNCHANGED

WASHINGTON -- The Postal Service announced today it exceeded its financial plan for Fiscal Year 2003 by $300 million, despite declining mail volume and growing deliveries reflecting operational efficiencies employed during the year. The Postal Service finished the year with a total net income of $3.9 billion when the recently enacted change to retirement funding is incorporated.*

Speaking at the monthly Board of Governors meeting, Chief Financial Officer Richard Strasser said that $3.8 billion of the net income was used to pay down Postal Service debt. "These financial results are important to the American consumer and American business," said Strasser, "for they reinforce our confidence that we can hold current stamp prices unchanged until 2006."

Based on the audited financial results, the Postal Service had an unprecedented fourth straight year of productivity gains. Productivity was twice that anticipated by the financial plan.

"Recognizing early in the fiscal year the delayed economic recovery and its negative impact on mail volume, our managers adjusted resources, cutting another $2 billion in costs," said Strasser.

He credited the year's success to Postmaster General John E. Potter's continued focus on implementing the Transformation Plan, the Postal Service's blueprint for the future. Without fanfare, Potter and his team have focused on the core business and encouraging managers to explore ways to reduce costs without impacting service.

Independent surveys show unprecedented high levels of performance in on-time delivery and customer satisfaction. Workplace environment factors, evaluated by postal employees, have also improved significantly.

Total mail volume in 2003 dropped by less than one percent (600 million pieces). It was the second straight year that mail volume fell. Most of the loss in volume came from

First-Class Mail, which underpins the Postal Service's universal service network. With the economy rebounding in 2003, advertising mail and packages grew to nearly offset the 3.3 billion piece loss in First-Class Mail but mail volume continues to be below the FY 2000 levels.

"This year's increase in advertising mail and packages did not provide us with as much revenue as the same amount of First-Class Mail would have," said Strasser, noting a $1.7 billion revenue shortfall. Further, he said, the changing mail mix -- along with an increase of another 1.8 million new addresses nationwide -- challenged operations management and put pressure on costs.

Strasser cautioned that the Postal Service will continue to face the same long term structural challenges that currently exist and that led to formation of the President's Commission on the United States Postal Service last year:

"In the near term," said Strasser, "postal finances look excellent. However, continued declines in First-Class Mail volume, continued growth in delivery addresses, the 30-year-old postal rate setting process, and continuing marketplace changes threaten the ability to finance universal service as we define it today."

In other activity, Chief Operating Officer Pat Donahoe outlined initiatives to handle 20 billion pieces of mail between Thanksgiving and Christmas. Donahoe said Monday, December 15, will be the busiest mailing day of the year with more than 850 million pieces of mail entering the mail stream versus 670 on any given day throughout the year.

To handle the blizzard of mail, many Post Offices will be open late and on Sundays; air cargo lift will increase by 40 percent; direct routes between major metro cities will be added to the Postal Service's ground transportation network; and, thanks to advancements in mail sorting technology, the need to bring in temporary help for the holidays will be reduced to about 10,000 this year as compared to 20,000 last year. Today's high speed sorters process more than 80 percent of handwritten addressed mail as compared to two percent in 1997.

###

* The Postal Civil Service Retirement System Funding Reform Act of 2003, signed into law on April 23, 2003, altered the way the Postal Service funds the Civil Service Retirement System and accounted for $3 billion, after refinancing costs, of the FY 2003 net income.