

REMARKS OF
POSTMASTER GENERAL/CEO
JOHN E. POTTER
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Thank you, Anita, and welcome to the National Postal Forum. Thank you for being here today.

This is one of the best-attended Postal Forums we've ever had. I'm not surprised because this is a dynamic time for all of us in the mailing industry.

Just think of all the change – and the magnitude of the change – that's taken place since we were together last year in Orlando.

A year ago, we had just filed for a rate change. Our proposal broke new ground as we took the innovative step of moving from purely weight-based pricing to shape-based pricing. Well, not only did the Postal Regulatory Commission embrace our shape-based rate proposal, they went well beyond.

The new postal law was still on the horizon – just as it had been for more than a decade. Today, here we are, planning for a future with a completely new playbook.

We're living in a new world. The new postal rates, the new postal law, and increasing Internet access – will all have a direct affect on the Postal Service and your business.

So, we are delighted to have the opportunity to talk to you about how we can better serve your businesses.

We need to discuss preparation alternatives to minimize the impact of the rate changes on those businesses most affected. We need to hear from you about the new law, because our ultimate goal remains the same – to provide you and the American public with quality, universal service at affordable rates.

That's our brand promise, and our employees are firmly committed to it. They're working harder with fewer people – and keeping service at record levels. They're stepping up to serve you better. They understand that we have competition. You have more choices than ever before. Our people want your business and they're working hard to keep the United States Postal Service your number one choice.

As I said, we've entered a new world. And dialogue is the key if we're going to successfully navigate new roads that have barely been mapped. Roles that have changed. Rules under development. Today, communication with each other is more important than ever as we work to understand and shape this new world. I consider the Forum an important part of the ongoing dialogue.

No one mailer, agency, or association has all the answers. But I know that together we can find them. To do that, we have to depend on each other as part of a community – the mailing community – that is bigger than each of us. The future – the mailing industry of the 21st century – is what we make of it – together.

A few years ago, I was at the Postal Forum in San Diego. Bill Russell was one of our special guests and he showed up about an hour early. As someone who loves basketball, I took advantage of the opportunity to spend some time talking with one of the greats of the game. I started talking basketball, but Bill asked me questions about the Postal Service and our transformation. He said, "Jack, that's an ambitious agenda, do you think you can do it?" I told him we were going to give it our best shot.

Then he asked me about America. "What kind of government do we have?" I wasn't sure where he was going, but I answered, "We have a democracy. One person. One vote." And I said to myself, "I hope I've got that right, or my grade school civics teacher would never forgive me."

Then Bill asked me, "What's that a product of?" I thought about it and said, "Enlightenment. People trying to escape oppression and tyranny and create their own representative government here in America."

"That's a great textbook answer," Bill said, "but it's more than that. Democracy is a product of compromise." Bill understood that everyone had to give a little for everyone, collectively, to get a lot.

Bill's lesson has served me well, and I think it's appropriate for all of us as we move forward. The time for dialogue and compromise is now. So let's get started.

I know the rate changes are on everybody's mind.

First the basics:

For most mailers, the Board of Governors directed that the rates will change on May 14. They've extended the implementation of Periodical rates to July 15. If you're a Periodicals mailer, this will provide enough time to make the very complex changes under the new pricing structure.

The Board also asked the Postal Regulatory Commission to reconsider their recommended rates for three product categories:

- ~~✍~~ Standard Flats – essentially catalogs; due to concerns about price shock, for three-digit presorted catalogues, and the potential impact on small businesses, and the economy, should businesses not be capable of generating sales through the mail.
- ~~✍~~ The lack of First Class non-machinable surcharges for two- and three-ounce letters; which is inconsistent with the drive for efficient operations.
- ~~✍~~ And the Priority Mail Flat Rate box – a very popular new offering which the Governors feel would be overpriced.

We're hoping the Commission can act quickly on these issues to minimize any period of uncertainty.

While you're here, take the time to talk to your peers, postal managers and all the vendors in the exhibit hall to make sure that your company is taking advantage of every discount possible.

In many cases the PRC lowered rates compared to the original Board of Governors' proposal. That's good. But I'm very concerned about those whose rates are growing significantly above the average.

My message to you is that we want to work with you to lower your costs so you stay in the mail. While we all wish there were more time to react, we have to use the time available.

What am I talking about?

Well, for some products – like medicine – you can convert from bottles to blister packs. In postal terms you mail a flat and not a package and get the benefit of the lower flat rates.

That goes for boxed greeting cards and boxed checks as well. Many of the smaller items that are mailed in a box today can easily move to a flat shape – making your mail more efficient to process and deliver – and thus lower your postage costs.

Some lighter, oversized envelopes and catalogues can be folded and mailed as letters. And some cataloguers are talking about changing to a digest size. Both can help you save by taking advantage of lower, letter-sized rates.

I read a great article in a Target Marketing Tipline. It's called "Six ways to keep the 'Yikes!' out of the postal rate hike." They're worth repeating:

- ~~///~~ First, scrub those lists.
- ~~///~~ Second, take advantage of all worksharing discounts.
- ~~///~~ Third, watch your weight.
- ~~///~~ Fourth, size things up.
- ~~///~~ Fifth, design for automation.
- ~~///~~ And, finally, learn the rules.

And what better place to learn the rules than right here at the Forum. Postal Service and vendor experts are all here in one place to work with you. And of course, back home, we've got plenty of resources that can help:

- ~~///~~ From address management tools, to mailpiece design specialists.
- ~~///~~ From business mail entry experts, to our Pricing Classification Service Center.
- ~~///~~ And *usps.com*, our publications, and of course, our Postal Customer Councils.

I encourage you to take advantage of them all.

Many of you are looking beyond May 14 and wondering if there will be a final rate case under the old law.

Frankly, it's too soon to tell. Our first priority is to understand the new law.

The question is, "what is the overriding goal of the new law?"

The way I read the law, the answer is simple. It's to provide universal service, at affordable rates, for the American public. That's what the Post Office Department and the United States Postal Service have been all about for over 200 years. As we move forward there's a need to balance individual interests with this overarching task.

The new law recognizes that an institution as integral to the American experience as the Postal Service – and one with a monopoly in some areas – needs regulation.

I recommend we start with a common understanding of the law's basic principles.

- ~~///~~ It promotes honest, economical, and efficient management.
- ~~///~~ It allows the Postal Service to compete fairly in the competitive products marketplace.
- ~~///~~ Regulation should consider and provide adequate revenue to support the network, set prices that cover costs, and provide a very high degree of financial transparency.
- ~~///~~ The new law streamlines the rates and classifications process to increase predictability and reduce the administrative burdens on everybody.

- ✍ It supports the establishment of service standards that are consistent with universal service at reasonable rates.
- ✍ It reasonably assures the reliability, speed, and frequency of mail delivery while measuring service performance.
- ✍ Bottom line, the law seeks to enhance the value of postal services.

Not all of the legislation that can affect our industry comes out of Washington. “Do Not Mail” legislation has popped up in over a dozen states. The Postal Service, obviously, opposes these legislative efforts.

Even though bills have been pulled back in four states, you can never be sure how the legislative process is going to play out.

So, we need to focus on the issues spurring these legislative initiatives. Mail that reaches a home where it’s not welcome is not a good use of anybody’s time – or resources. And it can turn the recipient off to mail.

This legislation is a call to action for all of us. I look forward to working with the entire mailing community in addressing these issues. Mail is good for business, good for the economy, and overall it’s good for America. Let’s all commit to work together to make it even better by addressing the concerns being raised in the “Do Not Mail” state legislation.

I wish all we had to do was implement the new rates and the new rates regulation. However, we can’t lose site of our responsibility to manage the day-to-day business.

What the new law lays out for the Postal Service is not an easy lift, by any stretch of the imagination. We’ve never worked under a rate cap. We’ve never had to manage our costs by class of mail. Both are challenging.

Fortunately, our record is good. Service is at all-time highs – so is customer satisfaction. We’re on track to push productivity ahead for a record eighth straight year. Our people have never been more focused on serving you, our customers.

And you have my word – it’s going to stay that way. We’re going to keep service strong. We’re going to continue to find new efficiencies. By managing our costs, we can help you manage yours. We’re going to stay focused on transformation – and the innovation that will continue to drive it.

One of the biggest programs we have in the pipeline is the Intelligent Mail Barcode. This barcode will revolutionize the transparency of the mail and the efficiency of the mail. It’s real “Star Wars” stuff – and it’s here today. It will bring us transparency, quality, efficiency, service measurement, and accountability. And it will be an important part of realizing our vision of end-to-end transparency of mail as it moves through every part of the mail value chain – from creation, to printing, to addressing, to logistics, and processing and delivery.

Another program I’d like to highlight is the new Flats Sequencing System – the FSS – will help us take flats sorting to the next level – bringing the same efficiency to letter carriers flats operations that we take for granted with letters. This machine sorts mail into walk sequence.

We piloted the flats sequencer in Indianapolis last year and the Board of Governors went there to take a look. What an incredible piece of equipment – it really does the job. We’ll be installing the first production model at our Dulles plant in Northern Virginia this summer. And over the next two years, we’re rolling out another 100.

We need the industry's help to make the most of this investment. And the Mailers' Technical Advisory Committee – MTAC – has been a big help in facilitating this discussion. I'm looking forward to MTAC's symposium on our new Flats Sequencing System in May. Mark that date, May 17, right here in Washington, D.C.

As you can see with Intelligent Mail Barcode and the FSS, there's a lot of innovation in our industry. People are investing energy, talent, and passion into building a stronger future for all of us. That's one of the reasons I'm so bullish on the mail.

Success is never assured. It takes a lot of hard work to make it happen. But when I look around the room today . . . when I see such an amazing cross section of a vibrant industry . . . when I see so many people focused on the mail . . . focused on innovation . . . and focused on building their businesses through the mail, I know we can do it.

And it's not just us, it's the mail itself. Mail gets attention. No other medium is so personal. No other medium is so relevant. And no other medium can tap into your individual interests, or needs, like the mail. That makes it welcome. There's nothing like it.

Even the Internet didn't turn out to be the archenemy of the mail. They're more like kissin' cousins.

We worked with comScore Networks, one of the leading Internet consumer research firms, to look at the relationship between Direct Mail and online shopping behavior.

Here's what they found:

- ✍ More than 8 out of 10 people said it was easier to shop online after receiving a catalog.
- ✍ Online shoppers who received a Direct Mail piece were almost twice as likely to buy as those who only received Internet advertising.
- ✍ If that Direct Mail piece was a catalog, the results were even better.
- ✍ People who received Direct Mail bought one-and-a-half times more merchandise on retailers' web sites than those who were contacted only through the Internet.

That's information that flies in the face of conventional wisdom. It's also information that can help you build a better bond with your customers and increase your business and your profitability.

We also learned that online customers have strong preferences when it comes to package delivery.

- ✍ Most want to choose their delivery company.
- ✍ When they can choose, they have a better impression of the retailer.
- ✍ When given the choice, almost half – 46 percent – select the Postal Service.
- ✍ A good handful – 12 percent – won't even buy if they can't choose their delivery company.
- ✍ And why do they choose the Postal Service?
 - Low price and convenience.

But that doesn't come as any surprise to me – that's at the heart of our value proposition.

It's all about customer preference – a concept that gets me thinking about direct marketing pioneer Lester Wunderman. He brought some groundbreaking perspective to the field. He was the first to understand that “we are living in an age of re-personalization and individualization.” He said, “The marketers who ignore the implications of our new individualized information society will be left behind.”

It all boils down to three simple letters: C-R-M. And, no, they don't stand for customer relationship management. They stand for “customers really manage.” They're going to do business with whoever gives them what they're looking for – the way they're looking for it.

To me, that sounds like the mail. With more and newer technologies competing for *your* attention . . . and your *customers'* attention . . . mail is still the best way to reach your customer and seal the deal.

That's not just me talking. This week you'll hear from two of the most influential people in the world of advertising and marketing today – Sir Martin Sorrell CEO of WPP Group, and Michael Roth, Chairman and CEO of the Interpublic Group.

If there's anybody who can provide you with better insight about connecting with customers, I'd like to know who that is. But here's the thing – with dozens of advertising agencies and communications companies as part of their businesses – Sir Martin and Michael will be talking about the mail. That's right . . . the mail.

If that's how these world-renowned experts see it, you know there's something to it.

We have a lot going for us. And the 21st century is a time unlike any other – a time of important convergences: technology, innovations, partnerships, and a new law creating a new postal business model based on the realities of a new time. They all offer opportunities like never before.

The key, as I've said, is that we must work together to build a Postal Service that serves you better than ever, one that we can all be proud of – the Postal Service of the 21st century. Working as a team, nothing can stand in our way.

Ladies and gentlemen, we've got a lot of work to do. We need to stay in touch. So don't forget National PCC Day on September 19 – the third Wednesday in September.

This year, the national broadcast will be coming to you from Cincinnati, Ohio. The National Postal Forum and National PCC Day are the two most important mailing industry events each year. So mark the date and we'll see you then.

Thank you – and have a great Forum!

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