

**REMARKS OF
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ANAHEIM, CA**

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Good morning. Welcome to Anaheim and thank you for being here today.

A lot has happened since we last got together in Washington, DC. So much so that you might say we've had an extreme year, a year of extreme change.

From a personal point of view, when I think back on my career, I don't think we've had as much going on in terms of major issues at any one time as we have right now. So it's extremely important that we get right down to business.

We all knew that the past year was going to be a transitional year. We knew that we were going to be introducing the new Flats Sequencing System. We knew we would be working on the new Intelligent Mail Barcode. We knew that the new law required us to review our existing service standards and put more modern standards in their place. We knew that we were going to have to prepare for compliance with the Sarbanes-Oxley Act. We knew that new pricing regulations were on the horizon. And we also knew that the Postal Service and the industry had to step up to environmental issues.

That sounds like enough, doesn't it? But the simple fact is that our biggest challenge wasn't the one we expected – it was the one that we didn't.

One year ago, I don't think any of us could have imagined that a barrel of oil would cost \$125. I don't think that anyone thought that \$4 for a gallon of gasoline seemed more likely than not. Certainly, no one thought that the economy would be in the kind of shape that it is today. These things have had a profound effect on our industry.

Despite the challenging economy, the one thing that hasn't changed is America's confidence in the mail. I'm thankful for that. And we owe it to the nation, to our customers, to our clients, and to ourselves, not to overreact to today's economic situation. We can't let it divert our focus from our core business. Deputy Postmaster General and Chief Operating Officer Pat Donahoe and his team are doing an outstanding job – not only maintaining service, but improving it. And they're doing this at the same time that we're taking even more costs out of the system. We're also ratcheting down our use of resources. We simply can't ignore the economy.

The encouraging news is that we know the economy is cyclical. Anyone who's been around for a while knows that while the economy will go down, it eventually comes back up. We can count on that fact. Our goal in the Postal Service – and throughout the industry – should be to take advantage of economic growth when the time comes. And we want to be sure we're helping you to do that.

If anything, we need to stay true to our business, stay true to our core, and continue with the important programs that we have been putting in place – and accelerating them. By doing that, we know we are going to drive value of the mail up even faster than we had anticipated.

Why? Because we are in a highly competitive market. We are in competition with the Internet. We all know that. And if we're going to remain competitive, we have to stay energized and work closely together. Beyond the pressure of today's economy, we have to do the things that make sense so that the mail – and everything you rely on the mail to do – remains a smart choice in a world that's defined more than ever before by customer choice.

What are we talking about? Let's look at flats mail as a good example of the critical core programs we've been working on. Because flats are an important part of the future. So staying relevant means that we have to keep changing to make sure we're meeting your needs, and the needs of your customers and your partners whose businesses depend on flats.

And let me be clear about one thing – flats aren't just a mail-processing category – they're the anchor of the mailbox. Start with magazines. Americans love their magazines, and they're what drives us to our mailboxes. And catalogs. People love to shop online. They love to shop by phone. They love to visit their favorite store. And what gets them there better than anything else? Catalogs – advertising through the mail.

But there are challenges when it comes to flats. The biggest one is costs. And it's not just the cost of postage. It's the cost of paper, too. While I can't do anything about the cost of paper, collectively, we can do a lot about the cost of postage.

The first step is by being even smarter about what you mail, taking advantage of services that are available that can help you with postage – things like co-mailing and co-palletization. For a long time, only larger mailers could take advantage of the lower prices that were available through greater levels of preparation. Smaller mailers were left aside. Not any more. With co-mailing and co-palletization, everyone can participate in some of the workshare discounts that are out there. That gives you more options and new ways to get the best price, new ways to save.

Second, we've been examining our operations. We asked ourselves what we can do to keep our cost in line with the new limits on our prices, since, for 90 percent of our products, prices are capped by the rate of inflation. And there's a big opportunity with flats.

We've been talking to you for a while about our plan to move forward with the latest in flats processing technology. And we're ready to begin the national rollout. From a cost perspective, the news is good – very good! The new Flats Sequencing System is almost four times as productive as the delivery sequencing operations in place today. The first system is up and running at our Dulles plant in Virginia, and we're seeing dramatic results. It's giving us the savings we anticipated.

Let's give credit where credit is due. We would not have reached this point without a collective effort that involved so many in the industry. I'm really proud of the fact that we were able to take a step back, take a good look at the future, agree on a vision of where we need to go, and get focused on the technologies, like the flats sequencer, that will help to get us there. The efficiencies offered by new and expanded automation are critical to our future.

Every step toward the future is accompanied by change – change on our part, and change on your part, which I truly appreciate. Our common vision recognizes that most of this change will be for the better. So I'm extremely grateful to the Mailers Technical Advisory Committee for working with us to identify and resolve issues involving the new flats technology. The MTAC workgroup contributed a lot of time and effort to make sure it benefits all of us. This is an important working relationship and it's one we're going to maintain as FSS deployment ramps up.

The thing that I really find exciting is that there's no lack of opportunity where flats are concerned. And it's not just inside the Postal Service – it tracks the entire value chain. We've always talked about how we get a flat from your printer, to your mail shop, onto a truck, through our equipment, and right to the mailbox with as few handlings as possible. We're making progress.

And as we make the process even more seamless, we can take out even more costs. That's why working together is so important – it will help keep prices down and keep flats in the mail. That's good for everybody.

Efficiency is really important to maintaining the value of the mail. But nothing makes mail more effective than accuracy – because that makes it deliverable. You can't influence a customer, a client, or a prospect if a bad address keeps your mail from getting to them. There's nothing we hate more than undeliverable mail. And operating in the 21st Century, a time when customer service has never been more demanding, accuracy is more important than ever. Printers, logisticians, and the Postal Service – everyone involved – wants to know where the mail is, when it's going to be delivered, and when it has, they want confirmation that it's been delivered. If we're going to get that information and use that information, we have to begin with good information, and that starts with the address. So we need to build on the strengths that we already have on paper – list checking, updating, and other tools that support accuracy – and make sure we're putting them to work. I don't believe anyone can afford the costs of undeliverable-as-addressed mail.

You need to make sure every piece you send works for you, gives you a return on your investment, because there's nothing like the mail for telling your story, for advertising your product. Take advantage of every opportunity by using every piece of mail to connect with your prospects – because nothing is more targetable than the mail. On top of that, it's measurable. And you don't have to worry about filters. It gets right into the mailbox. It gets into people's hands. They have a choice and when it's mail, they choose to accept it, to bring it into their homes, and to open it. One of the reasons is because it has an unrivalled level of trust that's been established over the years – trust in the letter carrier, trust in our postal system. But most importantly, trust in you.

The progress we're making doesn't stop with flats technology. As I consider what's ahead, I'm amazed at what the new Intelligent Mail Barcode is going to do for us. It isn't science fiction, it's not Star Wars. It's out there today and we know it works.

The implications are tremendous. We can sort mail, track it and trace it. We can identify glitches and fix them. We can create manifests and payment systems. We can give you quick address corrections so if you send mail out with the wrong address, we can fix it. That takes cost out for you. It takes cost out for the Postal Service. And you can take those savings and reinvest them in mail that can take you to an address where you're likely to get "bounce back" instead of no bounce at all. There will be many efficiency gains, and all of them add up to more and more value in the mail.

We live in an information-rich society. The new barcode brings a new richness of information to the mail – something we're all beginning to appreciate. That's why I was so pleased when we received such an enthusiastic response to our *Federal Register* notice on the rulemaking for the Intelligent Mail Barcode. There were more than 1,000 responses – the highest I've ever seen. The most gratifying part of the response is that we all share this important vision of our future. We'll be publishing the final rule in just a few weeks.

You told us there are some implementation issues – this is a challenging process. We've been listening to you and working on them. That's why we moved the implementation date from January 2009 to May 2009. You wanted us to link the barcode to a pricing incentive – and to make sure we identified that pricing before you made a choice. That's why we'll be offering two service levels and two price levels. As we get closer to that date, we're going to know a little bit better what that pricing will be. But the commitment here is that whatever level of service you choose – basic or full – it will open the door to great prices. And if you choose "Full Service," you'll be getting the best automation rate available.

It's extremely important that we make the move to the Intelligent Mail Barcode. And I'm thankful to those who have already taken that giant step. They're already making it happen. They're already reaping the benefits. We can all learn from them just how much value will be generated by all the information we can get through the barcode.

Speaking of change and information, one of the changes I made since the last time we got together was a selection of a new Chief Information Officer. That's a new title, too. It's not Chief Technology Officer. Why? Because in the today's world, it's information that's the currency – information, of course, that's based on data generated by the best technology. So we're taking that data and turning it into information – actionable information that you can use and that we can use.

I was very pleased to be able to recruit Ross Philo for this key position. Ross has a long history in the information arena, with experience that includes Schlumberger and Cisco Systems. Please take advantage of the opportunity while you're at the Forum to say hello to Ross. If you have any thoughts about things we should be doing in this area, but haven't, let him know.

As I said, the better our information, the more deliverable we make the mail. And one important benefit of that is better resource usage and less waste. That not only increases the value of the mail, but it helps improve the environment.

Going green makes sense. It's the right thing to do for the air that we breathe and for every element of our environment. It's also the right thing to do for our future generations – that's what we call sustainability. And this is something that's important to the American people. Survey after survey shows that Americans will choose to do business with companies that are contributing to the environment.

This is not about us. It's about the customer. We need to understand their needs, we have to respond to their preference, and we have to tailor our offerings to meet those needs.

We're all part of a big industry. That means we can have a big effect on the environment. We want that to be positive. The fact of the matter is that, in so many ways, people are doing the right thing. We want to keep moving in the right direction by doing the things that are going to keep making the mail more environmentally friendly.

For the Postal Service, that means things like Cradle-to-Cradle packaging for our Priority Mail and Express Mail products. Cradle-to-Cradle certification is about more than recyclability, it's about renewability and reuse. And all of our functions are involved. Our real estate team is improving our heating, cooling and lighting systems to help reduce our energy use. We're changing motors on our equipment so we can use less electricity. We recycle a million tons of waste each year and buy hundreds of millions of dollars worth of recycled material. We have the largest fleet of alternative-fuel-capable vehicles in America. Our shared delivery fleet is the most efficient in the industry: all 220,000 vehicles are multi-purpose, each of them delivers all of our product lines – not just one. We're proud of these accomplishments. They've been recognized with dozens of presidential awards over the last 12 years.

The industry is making a significant mark, as well. You use a lot of recycled material. And because paper is recyclable, that means mail is recyclable. Just about all of the paper used for mail comes from renewable resources, resources dedicated to this purpose. Printers have stepped up and are using environmentally friendly inks. You've been communicating with your customers about recycling their mail once it's finished doing its job. You've been telling them about the source of the paper that's going into the mail you send. All of this has resulted in the industry, too, receiving numerous awards for everything you've done to help improve the environment. That's something that also increases the value of the mail.

There's another important element of our environmental story, too. Perhaps because we consider it so self-evident, we don't talk enough about it. That's the value of having something delivered right to your door instead of having to jump into the car and drive to three different stores to get what you need. It's great to shop from a catalog and to order on the phone, or online, or through the mail and have it brought right to you. One carrier, stopping at hundreds of addresses every day, can help eliminate dozens of car trips, the gasoline they use, and the environmental impact of each of those trips. That can really make a difference.

The bottom line is we have to keep moving along the right path – it's the right thing to do and it's what our customers expect. And we have to make sure our customers know what we're doing, because not everybody understands it. Unfortunately, the "Do Not Mail" legislation that we've been seeing in many of the states has distracted some people from the progress we've made – as we work to keep the mail green and make it even greener.

And inside the Postal Service, we've just taken a big step in that direction. We've taken our "green" efforts – efforts throughout the entire organization – and placed them in the hands of one person – Sam Pulcrano, our first vice president for Sustainability. The reason we chose Sam is because of the new thinking and the new approach he brought to our safety program. He's got a track record that produced real results, a significant and sustained reduction in accidents.

But more importantly, Sam has coordinated innovative and participative efforts with our employee unions and the Occupational Safety and Health Administration. They've resulted in major contributions to workplace safety. That's the same approach we want to bring to sustainability. We want to talk to everybody. We want to share ideas with you and with your business. We want to understand how you're addressing this issue. We look forward to working with you on this – and I know Sam looks forward to meeting you.

I've been out and about talking to different people about what's on their minds. One of those issues continues to be "Do Not Mail" legislation. So far, that legislation hasn't been successful, despite the fact that so many states have seen some activity. But I think we have to look in the mirror if we want to know why people are concerned about what's in their mailbox.

I had a conversation with some of the big catalog mailers. A few of them were very concerned that some of their most loyal customers are complaining about catalogs. I asked one how many catalogs they sent to their best customers. "Forty two," he told me, "forty two." That leads to another question, "If I only buy from you during the holiday period, do I really want to see catalogs year round?"

Maybe not. But that's not something I can tell you as Postmaster General. And I don't think anyone should venture a guess. What we need to do is open a line of communication between companies and the folks they serve to understand what mail makes the most sense for them. I don't think there's a magic solution out there, or that one size fits all.

Everyone needs to reflect on what your company can do, and has to do, to reach out to your customers. How do you provide them with the information they need to do business with you? What information do they need to shop? When – and how often – do they need it? This is a big part of the environmental challenge, and I think it's something we need to address in terms of the drivers of the "Do Not Mail" legislation. It's all about customer preference and the more we satisfy customers, the more they'll do business with us – you and the Postal Service.

Another extreme change in an extreme year is the new postal law. It's changed many things in the last year, but we've only scratched the surface of what the new changes mean. We developed new service standards for classes of mail that we measure today and classes that we haven't measured before. When we begin to measure performance against the new standards, we're going to learn some things, including that fact that there may be some problems. Where we see that, we're going to go out and fix them.

There are a lot of myths out there, a lot of urban legends – and transparency can help put them to rest. Like those service myths, the ones that say people hide mail. That just isn't happening: we don't pay to store mail. We deliver it – as quickly as possible. That's what we're going to continue to do.

There's going to be more transparency in another area, our finances, through the Sarbanes-Oxley Act. Our books are open. Don't mistake that with the myth that we have two, three, or four sets of books. We don't. There's just one. I checked that out myself when I became Postmaster General; I went looking and I couldn't find them, they just weren't there. So let's put that one behind us, too. With Sarbanes-Oxley, what you see is what you get. And that's the way it's been.

I don't think these changes could have come at a better time. As the Postal Service steps up to meet the needs of a new century, the law is requiring us to take steps that probably should have been taken many years ago. It's a good incentive for us. I'm excited that it will help us improve service and raise the bar a bit as we use the Intelligent Mail Barcode to expose any problems there may be. At the end of the day, what you can count on is better service more predictable service.

The new law also delivers when it comes to prices. Not rates, prices. It's a new day and I want to thank the Postal Regulatory Commission and its chairman, Dan Blair, for getting the pricing regulations out as quickly as they did. If they hadn't, we might still be waiting for the new regulations – the deadline was actually June 18 – and last week's price adjustment wouldn't have happened under the umbrella of a price cap. And, yes, the price cap does raise the bar for us, but given the fact that we're operating in a vibrantly competitive environment, it's a business imperative for us to keep our prices down and keep them predictable going forward. Adjustments every third year just had too much of an impact on your businesses. Annual changes, tied to a Consumer Price Index cap, avoid that problem.

There are more changes to come. We're still working our way through negotiated service agreements. That's another provision of the law. For me, when it comes to this new tool, the goal is to help grow the business – ours and yours. We don't want it to be a bureaucratic jungle; it needs to encourage growth. The challenge for all of us is to get out from under the history of the old rates process. We're not going to move forward, we're not going to grow, by staying in the same old place. That means we have to take some risks, that's what change is all about. And when we do that, we can't expect that we're going to get it perfect the first time. But we'll be flexible, we'll learn, and make more progress than we ever thought possible.

In the past, when we thought about pricing, we went in with a very competitive mindset. As I see it today, that competition has changed. To me, today the competition is between the mailing industry and the Internet and other forms of communication. So if the law is a tool that Congress created for us to be more competitive, I promise you, we're going to step up and we're going to use it. Again, there will be some risk involved, but I believe they'll be more than offset by the results.

This new law is a living document. There's a perception that we know everything there is to know about it, and everything we can do. I don't believe that's the case at all. We're still working through some important issues, and you'll see them reflected in reports that are due out this year.

The way you mail – how you prepare it and where you enter it into our system – has changed quite a bit since the Postal Service began, back in 1971. Our network has gone through some significant adjustments to respond to those changes, and it's time to take a fresh look at what we have today. We're creating a network plan to do that. That's due out at the end of June.

There's also a report being prepared by the Postal Regulatory Commission on universal service. I know that many of you have been asked for your views about what this means to you and if any changes are necessary. We all need to participate in that process.

And finally, after a decade under the new law, there's going to be a review process of the new pricing regime that's being put in place now. So this new law is a living document. We need to stay with it. We need your input. After all, it's not *my* Postal Service; it's not *your* Postal Service. It belongs to America. Our focus is to implement the new law so that everyone benefits; so that we improve service; so that we improve transparency; so that you receive the benefits of predictable pricing. And by using the pricing incentives and the other tools available under the new law, we can achieve the growth and efficiency that will help the business. When all is said and done, what we want to do is increase the value of mail.

But the real extreme of the new law is the competitive pricing freedom for our shipping services. This month's price changes reflect that flexibility. They include new, online prices that are different than retail prices. Now there's volume pricing, too. And zone-based pricing for Express Mail. We've lowered our pickup prices for Parcel Return Service. When it comes to Destination Delivery Unit – DDU – shipments, we went to weight-based pricing. Why? Because we heard back from mailers who use these services. They said if we could price them better, they'd use them more.

We want to take advantage of our natural strengths – the fact that we're at every door, every day. That's an unbelievable strength and we want to use that, and not just for ourselves. We're offering it to the competition. When it comes to ground packages, we want to deliver packages for everyone including FedEx, UPS, and DHL. We'd love to deliver the "last mile" for all of them. I know there are others out there our offerings can work for, too. And think of the effect on the environment if there are fewer trucks delivering more packages.

When it comes to small businesses, it makes sense to use Priority Mail. This is a great alternative for anyone who has to ship a package. We've come far but we still a way to go. We put out our new published rates, but we've only begun to get into intense dialogs with customers about contract pricing. That's our next big step and there are a lot of options available.

People are coming to us with many different ideas. We're working through them to come up with package pricing that works for them. We hope to be at the Postal Regulatory Commission in the coming weeks with the first of our contract, package-pricing proposals. Through all of our efforts, I can't say enough about the Commission. Their pace is simply incredible when it's measured against what the new law called for.

As we gain experience, we'll pick up the pace, we'll give more freedom to local folks to work up some deals. But I think we need to take our time and do this the right way, so we don't have to reverse course. We're very engaged with you and we're trying to work our way through a system that's new for everybody, so please have patience as we make it work for us.

When it comes to pricing, we're going to negotiate prices the same way you do. It's something new. There will be a learning curve. But one thing is certain, we're not going to grow this business – either on the mailing services side or the package services side – by being conservative. We have to get out there and compete.

I think that we'll be successful if we get to the point where each and every one of you begins to think of us as a package shipping service, because that's what we are. Not everyone in this room thinks of us that way. And as I've talked to some of you, there's been some surprise that the Postal Service is in the package business.

The fact of the matter is that we have great products. Our service is the best it's ever been. We've got a new approach to pricing. And there are no surcharges.

We'd really like people to give us some consideration. You've always relied on us to help sell your products, now I'm asking you to let us help ship your products. So when you go back home, take a look at us, think about the opportunities you might have to use the Postal Service. You'll like what you see.

Think about what we covered today: the new Flats Sequencing System, the new Intelligent Mail Barcode, the environment, and innovative pricing. These are some interesting times – and some challenging times. The one thing that I think we all can count on is that we're going to continue to change. We'll see that with our network. We'll see that with the viewpoints on our universal service obligations. We're going to be reviewed, like never before. We're going to continue to evolve our pricing so we can be even more flexible. We're going to use that to serve you better, to grow the business, and to keep the mailing industry healthy.

We have a lot on our plates. We can only get through it all if we work together. Ladies and gentlemen, I'm very bullish on the mail. I know that mail is resilient. I know that it can adapt, because it has always adapted. And I know that there's nothing like this unbelievable network that reaches every door, six days a week, throughout the entire nation. We have the ability to connect everyone – from consumer to consumer, consumer to business, business to consumer, and business to business. We have an amazing strength that we can build on. But the only way we're going to that is to build on it as a team.

When I think of this historic event, the fact that we're celebrating 40 years of the National Postal Forum, I see an unrivalled record of accomplishment. And the group that drove so much of it, even before there was a Forum, was the Mailers Technical Advisory Committee. This group, one that has served us so well in the past, continues to look ahead and prepare us for the future. It has led the transition into the 21st century. It has helped to lead the transition to a new Postal Service defined by a new law. It is helping us modernize everything we do and to make it more effective than ever.

At the close of our opening session we traditionally honor an individual, a business, or an organization that has made a tremendous contribution, not only to the Postal Service, but to our entire industry. Looking back over the last year, it was clear that we had to look far beyond any individual. Looking back over the last year, there could be only one choice. So today, we are honoring the Mailers Technical Advisory Committee with the Partnership for Progress Award. Congratulations!

There's a lot to do and a lot to see over the next couple of days. Please get out there – visit the exhibit hall, network with industry and postal representatives. Take advantage of the sessions. There are tracks for everyone – and new symposiums that give an in-depth look at the subjects I've talked about this morning. Talk to each other about where the Postal Service needs to be headed. Talk to each other about how you can use the new information that's going to be out there for you. And talk to us about how we can work with you on pricing to make the Postal Service and the mailing industry successful in the 21st Century.

Thank you for your time! Enjoy the Forum!

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