

New England PCCs Event
Susan Plonkey, Vice President, Sales

Good morning everyone. Thank you for that kind introduction.

I want to thank the New England PCCs for the invitation to speak today. This is one of my first opportunities since I became Vice president of Sales to talk directly with so many important customers about what is happening right now in our industry.

In my new role, I no longer have as much direct influence over Postal support for the PCCs. However, I can assure you that the Postal Service's commitment to the PCC network is as strong as ever, in fact, stronger.

It begins at the top with the strong backing of Postmaster General Potter. It is benefiting from the leadership of Steve Kearney, Senior Vice President of Customer Relations. And you and your fellow PCC members can be sure that you will continue to receive the outstanding support that you have come to enjoy through Alixe Johnson and her team.

I also want you to know that you will find new support from the Postal sales team because I believe in you and the work you do through the PCCs. I want to provide you all of the help that I can to achieve our mutual success. I already have tasked our Business Development Teams to come up with strategies to help us reach that objective. And you can look for increased support from sales at both the local and national level.

I think that our partnership is more important than ever in these tough economic times. As a nation, as an industry, as individual businesses and citizens, we all are going through a very difficult period. It is a tough time to manage a household, to run a business or even to enjoy retirement. No matter where you work or live, life has become more stressful and financial stability is difficult to achieve.

This is certainly true for the Postal Service. We take great pride in being an important part of the national infrastructure and also a critical factor in the daily lives of America's citizens and businesses. When the nation suffers, we feel the pain.

As you know, mail is big business. Not only is it the center of a \$900-billion dollar mailing industry, it is a crucial link for every part of our economy from finance to housing to retail. It is also an indispensable part of our social systems — supporting charities, enabling our political processes, and advancing education and the dissemination of information.

Whether we are talking about an absentee ballot, a wedding invitation, a mortgage payment, a product purchased from a catalog or online, a dividend check, a birthday card or simply a menu from the local pizza shop — maybe with a couple of half price coupons to save money — whatever it is ... we know that the mail is important to the American people and that our country has a lot riding on the success of the mail.

In fact, the mail is a fairly good indicator of how well our national economy is doing. For example, back in 2001 when the Internet bubble burst and terrorists helped send our nation into recession, mail volume also took a big hit. In the three years from 2000 to 2003, mail volume declined by 5.7 billion pieces – that's billion with a B. It was the biggest decline in mail volume up until that time.

But you know what? The economy came roaring back and so did the mail. By 2006, we not only had recovered all of the mail volume we lost, we picked up another 5.2 billion pieces and we set an all-time record for mail volume. We delivered more than 213 billion pieces of mail that year.

As you know, it was a bit of a challenge to manage the Postal Service during those years, with such dramatic fluctuations in our business. But we did it ... all of us. We made the changes we needed to make. We cut costs. We reduced staffing. We continued to invest in long-term improvements. And, at the same time, we improved service.

Little did we know that in just two years we would be looking back with envy at those “good old days.” As it turned out, our nation’s economic recovery was built on shaky ground.

More to the point: it was based on unrealistic real estate prices, unsustainable credit practices and highly leveraged gambles in stock and commodity markets. We were in a new bubble economy and this one was a real doozy.

As I mentioned earlier, the mail is a good indicator of the economy. As the economy began to falter, mail started to decline. In 2007, we ended the year down about 1 billion pieces. Then in 2008, the decline accelerated.

In just one year, American businesses and households cut back on their mail usage by 9.5 billion pieces. It was the single greatest decline in our history. In fact, mail declined more in 2008 than it did from 1929 to 1933 when the total, four-year decline reached 8 billion pieces.

As a result, the Postal Service ended the year with a financial loss of \$2.8 billion, even though we made significant cuts during the year, reducing staffing by more than 20,000 positions and eliminating more than \$2 billion in costs.

Unfortunately, as you well know, the bad news didn't end in 2008. The economy has not recovered. And the effects are everywhere to be seen — foreclosures, job losses, tightened credit and business.

For the Postal Service, 2009 looks to be one of our toughest years ever. Although we share the common hope that things

will get better sooner rather than later, we don't see signs in the economy, or in the mail, that this is happening anytime soon.

Under current economic conditions, it appears likely that mail volume will drop another 15 billion pieces or so this year.

There are also a number of experts who are predicting that the economic difficulties may extend into 2010 and beyond. We don't have a crystal ball, but that is the situation we are facing. And we are preparing for the worst.

Although times may be hard, we also believe that this is a time to act with confidence and conviction and we are making some aggressive changes to save more than 100 million dollars annually. By nature, the Postal Service is an optimistic organization. We come by that trait naturally. We have been in business now for 234 years. We are actually one year older than the country itself.

The Founding Fathers created the Postal Office Department in 1775, one year before they declared independence. We have been through bad times before, including civil wars,

world wars and terrible economies. And we have always come through.

There is no reason to believe that we, as a nation, will not prevail now. However, as history shows, it is up to us to make that happen. I am here today to promise you that the Postal Service will do its part. We are taking action right now to meet our challenges. We are working throughout our organization to keep service strong and to ensure that the Postal Service stays viable for generations to come.

With significantly less mail in the system, we need fewer employees, tighter systems and leaner processes. Through quarter one, our career employment roles are down by more than 24,000 positions. But the time has come for those aggressive steps – status quo is not an option.

We recently announced that we are closing six of our 80 district offices by the end of August. This includes district offices in North Reading, MA; Manchester, NH; Erie, PA; Lake Mary, FL; Spokane, WA; and Edison, NJ. These six locations were chosen because of their proximity to other districts that could absorb the additional workload without

compromising the delivery, retail and mail processing functions of the Postal Service.

Nationwide there are nearly 150,000 employees eligible to retire under Voluntary Early Retirement that has been provided as an option while we undergo right-sizing our organization.

That right-sizing also is being addressed through the reduction of administrative personnel by 15 percent in the remaining 74 district offices. We also are eliminating more than 1,400 supervisor and management positions in nearly 400 mail processing facilities around the country. With improvements in mail technology and large declines in mail volume, we simply need fewer people to get the job done.

Of course, we are making numerous changes to how we handle and deliver the mail. We are streamlining our network, adjusting operations to match the changing workload, and eliminating costs to keep prices down. We are determined to keep mail affordable for you without sacrificing service. Service remains a top priority.

Although the changes we are making are necessary, they are not easy and they are not without discomfort. For example, all across the country we are redesigning mail delivery routes to mirror the changes taking place in the mail and to capture savings made possible by technology.

In the long run, these changes will make service more consistent. And they will save money. As a by-product, however, some customers will be served by new letter carriers or their mail may arrive at a different time of day.

We understand the bonds that develop between letter carriers and their customers. And we understand the feelings of customers and employees when these relationships change. We also know that there may be difficulties in adjusting to new patterns of mail delivery. But the status quo is not an option. It is vital that we change. It is imperative that we become more efficient.

We also are looking closely at patterns of customer behavior to ensure that we are providing service where and when it is needed. As a result, Post Office hours may be changed, or we may remove or add a mail collection box.

It is just common sense to put our resources where they are needed and to reduce them where they are not needed. Single-piece First-Class Mail has declined more than 30% in the past 10 years — and, we pick up at your mailbox. If customers stop depositing mail in a blue collection box on the street corner, we need to stop driving by the box every day to check it.

Some changes may be controversial. For instance, where it makes sense, we are consolidating mail processing operations into fewer facilities and we are reducing around-the-clock operations.

At the same time, the Postal Service continues to prepare for better days ahead. And we believe better days are ahead.

Although we have scaled back our capital investment program to conserve funds, we are maintaining investments in technology that, in the long run, will lower costs and improve service. We also are continuing to be innovative in our services to help create growth and to provide you with more options that meet your needs. This is an important

part our commitment to you and to the future prosperity of our nation.

These are not easy times. But I am confident that working together we will get through this period and emerge stronger on the other side. And the Postal Service would very much appreciate your support as we continue to make the changes needed to help achieve that goal.

For my part, as vice-president sales, I am not content to wait for an economic turn around for things to get better. We are going to go after new business right now. And we are going to be aggressive and relentless.

As you know, the Postal Service has new competitive freedoms. Our shipping products have numerous pricing advantages in many rates cells and service offerings.

We intend to capitalize on those advantages to keep the Postal Service healthy. And we plan to be ready for a return to strong growth as our economy returns to normal levels of activity.

Already, we have launched what we call a 90-90 blitz. This strategy is maximizing our sales force presence on the street, to reach customers now when they need help the most. In the first weeks, we have seen an up-tick in sales and we will continue the push through May 15. You can expect to see other initiatives coming as we move into the spring.

National Postal Forum is in Washington DC this year, May 17-20. I hope to see you there. We will have a lot to share with you then. We also will also be communicating heavily through the PCC network. We all need to stay involved and keep working together.

Please understand that we cannot sit still in the face of the unprecedented economic challenges we all face. We need to make tough choices. And we have to act boldly to protect the long-term health and prosperity of our nation.

There may be some inconvenience along the way. But I am confident that the changes we are making now will build a stronger future for us all.

For the last several years, the American people have rated the Postal Service the most trusted government agency and one of the most trusted organizations — public or private — in the nation. We realize that we must work hard every day to earn that trust just as we wish to earn your business. That is exactly what we are doing.

Thank you for you attention. And thank you very much for your support.

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