



POSTAL NEWS

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NO APRIL FOOLIN': POSTAL SERVICE SETS RECORD FOR ON-TIME DELIVERY

WASHINGTON – The Postal Service continued its drive for excellence by raising the national average for on-time delivery of First-Class Mail with a next-day delivery standard to an unprecedented 95 percent. It achieved this score during Quarter II (Nov. 30, 2002 through Feb. 17, 2003) while delivering to a record 140 million addresses during one of the worst winters in recent memory. The record breaking achievements were reported at the monthly meeting of the Postal Board of Governors here.

This now extends the national average of at least 93 percent to five-and-a-half consecutive years.

Productivity, expense reductions offset weak revenue growth in Quarter II

Chief Financial Officer and Executive Vice President Richard Strasser reported to the Board that mail volume still had not rebounded in Quarter II, due to the uncertain economy. Through productivity gains and expense reductions, Strasser said, Postal Service expenses for the quarter were \$559 million below plan, \$36 million below last year.

Net income was \$645 million for the quarter, \$285 million over plan. Year-to-date revenues totaled \$32.8 billion with expenses of \$31.1 billion, leaving a net income of \$1.65 billion.

Strasser noted that the Postal Service makes most of its revenue in the first two fiscal quarters, with losses over the summer months as seasonal mail volume declines. "The net income is the result of productivity improvements, expense reductions and the rate increase, not volume growth," he said.

"The expense reduction during the quarter was extraordinary," Strasser said, "and it came despite absorbing rising fuel costs, the impact from the severe snowstorms in the east this winter, and inflation in health benefits that will exceed \$500 million for the year."

A significant driver of the expense reductions came from reducing workhours. "Our plan called for a reduction of 40 million workhours this fiscal year," Strasser said. "We've already reduced workhours by 31 million as of Quarter II. Career complement has been reduced by 11,

485 through the second quarter. These actions will result in a fourth straight year of substantial productivity increases.” “However,” Strasser cautioned, “this good news is tempered by weak volume trends. Mail volume for Quarter II was essentially flat, with the increases in advertising mail and packages unable to offset the decline in First-Class Mail and other mail.” Strasser said the outlook is not favorable to make volume or revenue targets for Quarter III, given the state of the economy.

In other activity, the Board approved funding for a portion of renovations necessary as part of the pending sale and transition of the James A. Farley Building to the Pennsylvania Station Redevelopment Corporation.

The Board also approved funding to design and develop 2,500 self service kiosks that will enable customers to conduct postal business just as ATMs enable customers to conduct self-service banking. Evaluation of 30 units will begin in October. Nationwide deployment will begin in mid-winter and is expected to be completed by summer 2004.

Since 1775, the U.S. Postal Service has connected friends, families, neighbors and businesses by mail. It is an independent federal agency that makes deliveries to about 140 million addresses every day and is the only service provider to deliver to every address in the nation. The Postal Service receives no taxpayer dollars for routine operations, but derives its operating revenues solely from the sale of postage, products and services. With annual revenues of more than \$66 billion, it is the world's leading provider of mail and delivery services, offering some of the most affordable postage rates in the world. The U.S. Postal Service delivers more than 43 percent of the world's mail volume - some 203 billion letters, advertisements, periodicals and packages a year - and serves seven million customers each day at its 38,000 retail locations nationwide.