



**REMARKS BY  
POSTMASTER GENERAL/CEO JOHN E. POTTER  
NEW ENGLAND MAIL EXPO  
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I've been looking forward to this opportunity to celebrate National Postal Customer Council Day and to thank everyone for the work they're doing to help the industry grow.

Today, here in Boxborough, Massachusetts, six Postal Customer Councils from the Northeast have come together to host this joint PCC. The people here are involved and committed!

They and the 60 exhibitors recognize the importance of keeping the partnership between Postal customers and the Postal Service strong. My thanks and congratulations to all of you for the hard work you have been doing to build PCCs here in New England and for the work that went into this event.

I also want to welcome all of you who have joined us by satellite. There are over seven thousand PCC members and postal managers in more than 140 cities in 44 states across the country joining us. Thanks to all of you for taking the time to be with us today.

But most of all, thanks for your commitment. Thanks for being involved. If there's one message I want to leave with you today, it's "stay involved."

When Postal Customer Councils started thirty years ago, they were a hit! Why? Because the mailing industry was undergoing dramatic change. Direct marketers in the 1970s were just beginning to learn mail's real value. Presort discounts were a new concept, a concept we rightfully believed would grow mail volume. We were all involved – all the time.

In the 1980s, we started the migration from mechanization to automation. PCCs were the learning centers where customers began to understand the nine-digit barcode and how to get barcodes on virtually every piece of mail. We all stayed involved and engaged.

In the early '90s, we continued the automation push to walk-sequence mail and entered into a world of drop-ship discounts.

Somewhere in the late 1990s, as automation took hold, we began to see less participation and less involvement in the work of PCCs. Why? Well, many of the programs and issues we talked about in the '70s, '80s, and early '90s were successfully behind us.

Today, we are transforming the Postal Service to adapt to a changing world around us. The interplay between hard-copy and the internet is playing out before our eyes.

Now more than ever, we need to communicate with each other on the changes necessary to use technology to add value to the mail and to use technology to keep mail affordable. You've heard me speak about the need to change the Postal business model – the need to reform the legislation that guides us. And we've seen early success.

Last year, we collectively convinced Congress that potential overpayments to our Civil Service Retirement System needed to be fixed. Congress agreed and lowered our 2003, 2004, and 2005 retirement payments. It was a great first step. Don't discount this legislative victory. It occurred because we all stayed involved and committed. It was also one factor that has enabled us to maintain stable rates until 2006.

However, there were a couple of issues that grew out of last year's legislation. Specifically, a 2006 escrow fund will increase our revenue requirement – and thus your rates – by \$3 billion in 2006. This is a potential 5.4 percent increase over and above our forecasts.

In addition, the bill transferred obligation for military retirement benefits from the Treasury to the Postal Service, an added \$28 billion obligation.

Together, we've educated members of Congress. Today, there are drafts of comprehensive legislation in both the House and Senate. They each eliminate the escrow and return the military burden back to the Treasury.

Although we are still examining other provisions in the bills, it is clear that for the first time in more than 30 years there is a real possibility for legislative postal modernization. We are so close.

There are issues that still need to be resolved. For example, both bills call for the Postal Service to prefund health benefit retirement obligations. The pace at which this is done has an upward pressure on prices. Our evaluation indicates the costs could be as high as \$3.9 billion in 2006 – or a 6.5 percent rate increase over and above our forecast.

Both bills introduce price caps as a mechanism to assure future affordability. The Senate bill gives a new postal regulator flexibility in crafting a price cap that takes into account a variety of cost drivers.

Since neither bill provides the opportunity for relief from our major cost drivers – wages and benefits – we believe any price cap index must take all cost drivers into consideration. We, therefore, prefer the Senate version of price caps.

We are also concerned about the lack of specificity in the language that addresses the need for pricing flexibility in competitive and non-competitive product lines. The language will likely result in added costs being shifted to packages. That could result in significant upward price pressure - which could put the \$2.5 billion in contributions we gain annually from our package services in jeopardy.

What does that mean to you? Well, if we lose \$2.5 billion in contribution to universal service costs, it will have to be found somewhere else, most likely in higher rates on other classes of mail.

This is a very dynamic situation we find ourselves in today. As PCC members, you need to stay involved in understanding both bills. Your voice needs to be heard in the same way your voice was heard on operational issues over the last 30 years. Please stay involved.

Beyond legislation, we must remain focused on running the business and making changes to improve the value of mail.

There's been a lot of talk about quality and the goal to achieve the 85 percent target on barcoding for delivery point sequencing by the end of this year. We can't stop there. We need to raise that to 90 percent for next year and ultimately to 100 percent sometime in the future.

Barcoding drives efficiency and efficiency keeps rates affordable. Stay involved with us on this critical issue.

We are also exploring the pros and cons of a new barcode: a four-state barcode that would enable us to enrich the information on mail as it moves through our system – information that you and we can use to increase the value of mail and efficiency. We need your input.

For all these reasons, I see a new role for the Postal Customer Councils emerging – an expanded role that will channel our energies and resources toward growing mail volume and generating more business for everyone in this industry.

First and foremost, PCCs must take on a greater role as a venue for feedback on new ways to improve service, develop new products, build efficiency, and generate new opportunities to reduce costs. We rely on you to “push back” when you think an idea or project doesn't make good business sense.

Second, my vision is that PCCs will serve as a catalyst in their business communities for raising awareness of the value of the mail for local businesses.

By becoming more educated about how mail can help build your own business, and by encouraging other business mailers to become PCC members, PCCs can become the breeding grounds for new business development and new growth.

Now you're probably saying, "Well, all that's fine and good, Jack. But not all PCCs have the resources or support to make all that happen."

And that gets us to the main reason why we're all here today. As Anita Bizzotto mentioned, part of what we want to accomplish at this National PCC Day is to introduce a new Postal Customer Council Network Plan that will:

- Transform PCCs into a premier network for customer education and training
- Stimulate growth for member businesses, and
- Help create a stronger Postal Service for the future.

The Plan we've created embraces three components.

First, we've created a new National PCC Website to help PCCs around the country collect and share best practices and help keep track of each other's successes.

Second, we've created new resources to help you design professional workshops, seminars and special events. We'll send subject matter experts to present new programs along with the latest ideas on using mail to build your businesses.

Third, we want to help PCCs grow membership. To do that, we've developed a model for producing multi-PCC events like this one in Boxborough.

Today's Postal Service is excited about the future. We're ready to deliver your growing business! Mail is still very much a vital part of this nation's economy. And mail will remain valuable for years to come!

How do I know that? Because it's all about economics – and reliable, convenient and affordable service. And when you come right down to it, it's all about dollars.

Dollars count in this business. But it's also about who offers the better deal.

I'm here to tell you, mail is still the better deal.

A while back, we did research on what consumers thought about the mail. We learned that the American public still has a love affair with hard copy mail.

Nine out of 10 households actually sort and review the mail the same day it's received. We also found that advertising mail – First Class or Standard – has value for most households. Seventy-four percent of direct mail is read by the consumer. Fifty-two percent of households order products and services based on the direct mail pieces they receive.

In fact, twenty-one percent of all consumers have actually taken a direct mail piece with them when shopping at a store.

And get this: over twice as many households order products and services from catalogs than from information received on the internet.

Overall, mail was – and is – the highest rated medium when compared with magazine, newspaper, radio, billboard and Internet advertising.

So what about television? Let me share this datapoint. In 1965, a business could reach 85 percent of American households by placing three prime-time ads on TV. Today, to reach that same 85 percent saturation, you would have to place 115 prime-time ads on the networks – 115 prime-time ads on networks!! If you think the internet has had impact on our business, look what cable and other technologies have done to broadcast television advertising.

What are we doing to build the business and make mail more valuable to you and your customers?

It's all in our Transformation Plan – the same plan I spoke about two years ago.

The key concept behind the Plan is to focus on our core business to increase the value of the mail. We are improving service, improving operational efficiency, and enhancing our products to foster growth.

Today, service performance and customer satisfaction scores are higher than at any time in our history. We've achieved an unprecedented four consecutive years of productivity growth.

Over the past two years, we've saved some \$2.7 billion directly related to our Transformation initiatives. That achievement puts us on track to surpass our 2006 cost savings goal of \$5 billion annually.

We achieved these records despite adding 1.7 million new addresses to our delivery network every year.

I hope you can see that we are moving forward. We are making changes and we are taking steps to do everything we can do to assure a strong future for the industry and for the mail.

There's far too much at stake for any one of us to sit idly by and let events and the agendas of others overtake us . . . postal reform legislation . . . 100 percent barcoding . . . an information rich, potential new barcode system . . . and enhancements to our products and services. Your voice must be heard.

Postal Customer Council members across the nation must stay involved in the issues and challenges that confront us. Decisions are being made that demand the full attention of everyone in this industry and especially those of you who are active members in PCCs.

You have my firm commitment and personal assurance that I will do everything to make Postal Customer Councils a vital and integral part of our planning process for the future.

I look forward to working more closely with you to enhance and build on the work you've already done to make PCCs stronger.

Thanks for this opportunity today – and I hope to see all of you in September at the National Postal Forum in Washington, DC.

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