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202-268-2155
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AGGRESSIVE BELT-TIGHTENING CONTINUES AS RECORD PERFORMANCE SURPASSES FIVE-YEAR MARK

WASHINGTON, DC – The Postal Service continues to provide record on-time delivery performance as it reduces costs through aggressive belt-tightening. Since Spring 1997, First-Class Mail designated for next-day delivery has been delivered on-time at least 93% of the time.

For the period covering September 7 through November 29, 2002, as independently measured by IBM (formerly PricewaterhouseCoopers) 94% of First-Class Mail with an overnight delivery standard arrived on-time, marking the third consecutive quarter of reaching 94%, and more than five years at 93% or better. Customer Satisfaction, as measured by the Gallup Organization, indicates that 93% of households nationwide maintain a positive view of the Postal Service.

Cost Controls

Richard J. Strasser, Jr. Chief Financial Officer (CFO) and Executive Vice President, reported that during Postal Quarter 1, Fiscal Year 2003, the Postal Service processed and delivered 49.3 billion pieces of mail, an increase of 742 million, compared to a soft first quarter last year. Standard mail volume increased 1.5 billion pieces, driven by election mail, while First-Class volume dropped 629 million pieces.

The CFO reported that a net income of \$1 billion was produced on revenues of \$16.3 billion. Although revenue was \$300 million less than projected, through continued cost containment, expenses were \$500 million under plan. This produced a net income of \$200 million greater than plan. Increased efficiency and continued complement reduction through attrition were the major drivers of this successful cost control activity.

Strasser projected that Quarter 2 will produce similar results to those from Quarter I, with revenue and volume lagging behind projections due to current economic conditions. He also noted that continued cost controls would produce a net income at or above a planned \$360 million.

Periodicals Co-Palletization Discount Experiment

In other action, the Governors accepted the Postal Rate Commission's (PRC) recommended decision on a periodicals co-palletization experiment. The experimental change in the Domestic Mail Classification Schedule becomes effective April 20, 2003, and establishes two new rate categories and discounts for publishers, printers and mail consolidators to combine different publications or print runs on pallets. The experiment will be in effect for two years to allow mailers sufficient time to adjust their mailing practices as they take advantage of the incentives. It also provides adequate time for Postal Service to verify the savings along with the impacts the incentives have on mailer behavior.

Organizational Change

In other activity, Postmaster General John E. Potter asked Charles E. Bravo to serve as Senior Vice President, Intelligent Mail and Address Quality. In this role, Bravo, a 29-year postal veteran, reports directly to Potter and is responsible for leading a new organization in address management, intelligent mail planning and standards, and intelligent mail implementation. Bravo is also responsible for setting new standards for coding, reading and mailer participation regarding information placed on all types of mail, including envelopes, packages, sacks, pallets, and customer forms. Bravo's responsibilities involve close coordination with postal operations, engineering, marketing, finance, and information technology. Prior to this position, Bravo, as Chief Technology Officer, was responsible for the overall technology leadership and direction to increase the quality and value of postal services.

Chief Technology Officer

Potter also asked Robert L. Otto to serve as Chief Technology Officer (CTO). In this role, Otto, a 23-year postal veteran, reports to the Chief Financial

Officer and is responsible for managing and maintaining the Postal Service's technology network, including the information technology infrastructure.

Prior to this position, as Vice President, Information Technology (IT), Otto served as the Postal Service's Chief Information Officer. In January 2003, the CTO organization was restructured to include overall responsibility for the IT function as well. Otto will continue to be responsible for the Postal Service's comprehensive IT infrastructure, which supports over 650 national applications designed to run the organization on a day-to-day basis — including the payroll for 740,000 employees and payments to suppliers nationwide. Revenues of \$16.341 billion minus \$15.331 billion in expenses produced a net income of \$1.010 billion. Revenues, however, were projected at \$16.652 billion against expense projections of \$15.843 billion to result in net income of \$809 million. To counter this \$311 million shortfall, management initiated prudent cost-cutting measures to bring expenses \$512 million under plan to produced a net income of \$1.010 million, or \$201 million over plan.

Teterboro, NJ Modification

In other activity, the Board approved funding to install material handling equipment at the future Northern New Jersey Metro Processing and Distribution Center located in Teterboro, NJ. The automated system will move mail from machines that place postmarks on letter mail to high-speed sorting equipment. The system then moves this mail to an advanced dispatch system that assigns mail to specific airline flights.

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 \$67 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.