

Feb. 2, 2009

AN OPEN LETTER TO USPS EMPLOYEES FROM PMG JACK POTTER

As most of you have heard, I talked to Congress last week about the economic situation of the Postal Service. I told them we are in a financial crisis. I told them how it came about. Then I offered some proposals that could help us through a very difficult economy.

The biggest problem we're facing is the economy itself. Business is down. It's harder for companies and families to get credit. Unemployment is up. People are worried about the future. Spending has slowed down across the board — on homes, on cars, on household goods, and even on the mail. And some of the businesses that were our largest mail users have had the most difficult time — so they're mailing a lot less, as well.

That's had a real effect on our business. You can see that every day where you work. There's less mail to process and less mail to deliver. Volume was down by more than 9 billion pieces last year. That's about 4.5 percent. It's falling even faster today. By the end of the year, we expect to lose another 12 billion to 15 billion pieces. At the same time, costs have been growing — but revenue has not. This year, the money we bring in will be less than it was 2008, when we lost \$2.8 billion. We could lose more than \$5 billion.

Before I asked Congress for help, I explained that everywhere in the Postal Service — at every Post Office and every plant — our people have been doing a great job helping to make ends meet. We were able to reduce more than \$2 billion in costs last year. And we're doing even more this year. We're reducing administrative positions and costs that we just can't afford. We've stopped new construction. We're going to keep adjusting operations as volume keeps falling. We're on track to reduce 100 million workhours this year — double last year's reduction.

Another thing I was very clear about with Congress was the fact that you brought service to the highest levels we've ever seen — during one of the toughest times we've ever faced. I appreciate that. You've kept our customers first. That will make a difference for us when the economy does get better.

But despite everything we've done, and everything we're doing, volume is falling faster than our ability to adjust to it. That's why I asked Congress for help.

The one thing that can help most is changing the way we pay for retiree health benefits. About two years ago a new law, for the first time ever, required the Postal Service to pre-fund future retiree health benefits. The Postal Service is required to pay \$55.8 billion over a ten-year period, heavily front-loading the payment schedule. The Postal Service is the only federal agency that is required to pre-fund this obligation. This is a payment usually spread out over 30 years or more. It's like having a 30-year mortgage on your house that you have to pay off in only 10. It's not easy, even in the best of times.

Our retiree health benefit fund has a strong and growing balance — more than \$32 billion. We pay more than \$5 billion into the fund every year. We pay another \$2 billion for current retirees. Last year, those payments were the difference between making money and losing money. I explained to Congress that if we paid our costs for current retirees out of the fund, we could save almost \$25 billion over the next eight years. That would go a long way toward protecting the future of the Postal Service. This is a good solution. It won't raise the premiums paid by today's retirees or by you when you retire. And it wouldn't have any impact on your benefits—they'd still be secure.

I made one other point to Congress. I said that if the economy doesn't improve, and if our finances keep getting worse, we could reach a point when we may not be able to afford six-day delivery. If that happens — and it hasn't happened yet — I asked Congress for flexibility in the number of days we deliver mail. I know you've heard and read a lot about this. So it's important that you hear it right from me. That's not a choice that's at the top of anyone's list, and it may be a decision we'll never have to make. There are other things we can do, things that we'd prefer to do, and that can help us financially.

Thank you for everything you do. I know it hasn't been easy, but it's made a difference. I'm asking for your continued help as we work to weather this economic storm so we can continue to serve America, now and long into the future.

Jack Potter