

# POSTAL NEWS

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<p>The Crisis Is In The Mail. Mar 1, 2010. POSTAL SERVICE OFFERS SUPPORT TO NATIONAL EXPORT INITIATIVE. Feb 28, 2010.</p>
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## 1. The Crisis Is In The Mail

Contributed by Anonymous (Editor)  
Mon Mar 01 2010 00:20

Speaking recently from snowbound Washington, D.C., Joseph Corbett sounded remarkably cheerful for the CFO of a business that may not be able to pay its bills after September 30, the end of its fiscal year. That's the worrisome plight of the \$68 billion United States Postal Service, which is struggling to keep up in a world of e-mail and FedEx.

But Corbett seems confident that he and his boss, U.S. Postmaster General John Potter, can persuade Congress and the Obama administration to pass a law in time to save the day. Such a law is needed because the Postal Service, thanks to the falling volume of snail mail, has racked up huge losses in the past three fiscal years — \$3.8 billion in 2009, \$2.8 billion in 2008, and \$5.1 billion in 2007. The losses "have placed unprecedented demands on our operating liquidity," the agency said in its 2009 10-K.

At the same time, the agency must prefund its retiree health benefit plans by \$5.5 billion on or before September 30 and pay \$1.1 billion in workers' compensation bills to the Department of Labor by October. While the agency has enough cash to fund ongoing operations this year, "there is uncertainty as to whether we will have sufficient cash" to pay its benefit and workers' comp bills, said the 10-K.

A veteran of more than 25 years in private-sector finance, treasury, and accounting jobs, Corbett is no stranger to adversity. He took the finance helm at BearingPoint in the midst of its 2005 accounting controversy, and within three months had to pronounce the consultancy's prior financial statements unreliable. Corbett is proud that on his watch the firm managed to raise \$200 million in a convertible debt offering. "That was far from routine — raising money in an organization where you had literally no financial statements on record," he recalls.

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Under a "mutual agreement" announced by BearingPoint, Corbett resigned after just four months as CFO, staying on as a consultant to help with the firm's financial restatements. Noting that the firm's new chief executive officer, former Oracle Corp. CFO Harry You, and he "differed on certain key matters," Corbett says he "resigned to allow [You] to bring on his own team." From 2005 until 2009, he ran his own finance and accounting consulting firm.

Corbett joined the Postal Service in February 2009, while the recession was still raging. The efficiencies he has since promoted make him optimistic about the organization's future. But that optimism is tempered by the reality that the agency cannot right itself without help from the government, he indicated in a recent interview with CFO. An edited version of that conversation follows.

How bad was business during the downturn?

People had never seen anything like it. In 2009 we lost \$3.8 billion due to the decline in mail and packages — 25 billion pieces, or nearly 13% in one year. That decline was more than two-and-a-half times greater than any other annual decline in the 230-year history of the Postal Service.

We really had to understand where our cash was at the end of each month and where it would be at the end of the year to make sure we were liquid. We had to do that to make sure our stakeholders — primarily the U.S. government — understood how serious the situation was. But we also had to be careful to keep our employees motivated and comfortable that we would be able to continue to pay our bills.

Did anything positive come out of the recession?

The downturn has been a catalyst for change. When mail volumes dropped so quickly, we had to rally the troops and find ways to take more hours out of the organization very fast. We also had to find creative ways to reduce our cost basis and look at diversifying our revenue streams throughout.

What have you accomplished so far?

Our fiscal year 2009 cost savings totaled \$6 billion, including a reduction of 115 million work hours, or the equivalent of 65,000 full-time employees. We've been able to take out overtime hours and implement a hiring freeze; we have not actually laid off people. We don't expect to be able to make the same level of cuts this year, but we do have a goal of taking out over 90 million work hours in 2010.

Even after such cost cutting, can you still compete with private carriers like FedEx and UPS?

We're not on a level playing field with FedEx and UPS. We are required by law to prefund our retiree health benefits, and no other company or government agency in the country has a requirement like that.

We also don't have the flexibility to move quickly in a changing environment. We're required by law to deliver mail six days a week, even though we don't have the volumes that necessitate delivering mail six days a week. If FedEx or UPS was in your neighborhood during the heyday of mail delivery three years ago, they'd be there four days a week. Now they are there only two days a week. They can dynamically route themselves to match cost with the actual volume.

We, on the other hand, must deliver mail and packages to 150 million mailboxes six days a week. That's clearly something we need to fix, given the drop in volume of mail and packages. So we're working on those two items, reducing the amount of prefunding of retiree health and getting some control over the frequency of delivery.

That's where Congress comes in.

We're working very closely with Congress and the Administration to come up with a way that we can return to profitability in two to three years and begin paying down our debt without costing the U.S. taxpayer a nickel.

Right now we're extremely heavily regulated, and as a result have difficulty reacting to the market. We have an \$8 billion [in sales] package business that is totally competitive. We're the third player in the U.S. market, behind FedEx and UPS. The rest of our business, roughly \$60 billion, is primarily mail — advertising mail, standard mail, and first-class mail. The current restrictions that don't allow us to move quickly and react are the things that we're working on getting changed.

Such as?

In terms of top-line flexibility, we want it to take less time to get our contracts approved before we can tell a customer that we're able to provide a service. So we're looking for reduced regulation and turnaround times on competitive deals from our regulator, the Postal Regulatory Commission. We're also looking for more flexibility in current pricing constraints.

Then you get to the issue of cost, and the primary driver of cost is our delivery schedule. We spend over \$30 billion a year on delivery. Ultimately, we'd love to be able to dynamically schedule our deliveries. But we don't think that the Administration or Congress is ready to give us total freedom over that right now, given that part of our business is a monopoly.

So we'd like to be able to go from six-day to five-day delivery. That would allow us to save over \$3 billion a year and start to return us toward profitability. The mail volumes indicate that we'd still be delivering about the same number of pieces of mail per day to each mailbox as we were two years ago, when we had 30 billion pieces more mail per year.

There's also the cost of health benefits and other benefits that our employees enjoy. If we're able to get increased flexibility from our union workforce — over 500,000 of our employees are union employees — that starts to save substantial amounts a year. We'd like to be able to be more efficient in moving an employee from one track to another and in getting lower cost on our benefit programs. If we can change those contracts, some of which are backed by federal laws, we'll be more efficient on the cost side.

What role do you play in the lobbying effort?

One of the leading roles. Obviously, Jack Potter takes the lead role in pretty much everything he does. He's an incredibly high-energy guy and is constantly talking with stakeholders. I accompany him to the White House and Capitol Hill, and we've met with a number of Administration people and Congressmen and Senators in initial discussions. At this point, they appear to be pretty supportive.

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## **2. POSTAL SERVICE OFFERS SUPPORT TO NATIONAL EXPORT INITIATIVE**

Posted by mincho2008

Sunday, 28 February 2010

The U.S. Postal Service is expanding its partnership with the U.S. Department of Commerce to support the newly established National Export Initiative (NEI). Through its Global Business team, the Postal Service will build on its alliance partnership with the Commerce Department's International Trade Administration (ITA) to encourage and support small- and medium-sized businesses interested in establishing or expanding exports of their products to markets worldwide.

"The global market for goods produced in the U.S. is open to businesses both large and small," said John E. Potter, Postmaster General and chief executive officer for the U.S. Postal Service. "Our global shipping services open the gateway to the globe for American exports. We're pleased to participate in the NEI to support economic growth here at home."

At a speech before the National Press Club on Feb. 4, Commerce Secretary Gary Locke announced a series of new proposals for the NEI. "Today, less than 1 percent

of America's 30 million companies export -- a percentage that is also significantly lower than all other developed countries," said Locke. "And of U.S. companies that do export, 58 percent export to only one country."

Working with the ITA, the Postal Service will expand its outreach to small- and medium-sized businesses interested in entering into new export markets through global shipping solutions.

The Postal Service is a leading provider of international delivery services, providing business mailers with the ability to expand their markets by shipping packages and sending letters, documents and advertising mail to 191 countries.

A self-supporting government enterprise, the U.S. Postal Service is the only delivery service that reaches every address in the nation, 150 million residences, businesses and Post Office Boxes. The Postal Service receives no tax dollars. With 36,000 retail locations and the most frequently visited website in the federal government, the Postal Service relies on the sale of postage, products and services to pay for operating expenses. Named the Most Trusted Government Agency five consecutive years and the third Most Trusted Business in the nation by the Ponemon Institute, the Postal Service has annual revenue of more than \$68 billion and delivers nearly half the world's mail. If it were a private sector company, the U.S. Postal Service would rank 28th in the 2009 Fortune 500.

Source: U.S. Postal Service