

PATRICK R. DONAHUE
POSTMASTER GENERAL, CEO



October 25, 2011

Dear Valued Customer:

The United States Postal Service has been in the news quite a bit lately, and as a major customer of ours you deserve to hear directly about the issues we are facing. To paraphrase a line from Mark Twain, "I'd like to assure you that the reports of our imminent demise are greatly exaggerated."

It is not a secret that the Postal Service has been incurring steep and unsustainable financial losses. These are due entirely to an inflexible and outdated business model and should not be regarded as an indictment of the value of the mail as a communications channel.

Although First-Class Mail usage is declining, this is rather narrowly attributable to consumer preference to pay bills on-line and to the weak economy. Interestingly consumers still prefer and welcome receiving mailed statements and other business correspondence. Standard Mail usage has been flat for several years and has been largely unaffected by digital trends. It remains an extremely effective means for businesses to communicate with consumers. Nevertheless, declining First-Class Mail revenue is driving major changes within the Postal Service.

We are aggressively consolidating and streamlining our operations, negotiating more flexible labor agreements, and reducing the size of our workforce. We are also encouraging Congressional efforts to provide the Postal Service with a more flexible and financially sustainable business model.

These are important business and policy issues that deserve America's attention. However, we recognize that public perceptions of the Postal Service—and of the mail—are suffering as a result of our financial crisis and the highly visible steps we are taking to return to profitability. Perhaps, predictably, a number of misperceptions have arisen that deserve comment.

First, although the Postal Service is facing a severe cash crisis, a nationwide delivery disruption is inconceivable. Any such disruption would paralyze America's economy to an extreme extent, and Congress and the Administration are well aware of this fact. Even if Congress should fail to pass the comprehensive, long-term postal reform legislation we are seeking, it will act to ensure the operations of the Postal Service are not interrupted.

Second, the Postal Service will not go out of business or be privatized. Even in an increasingly digital world, the Postal Service will continue to play a vital role in America's economy and society. This past year the Postal Service delivered 167.6 billion pieces of mail. This represents an enormous amount of economic activity that sustains a \$1 trillion mailing industry and employs 8 million people.

Consumers will always have a core need for reliable, affordable, and secure delivery of mail and packages, and the Postal Service will always exist to meet that need. It will always do so as an independent entity of the federal government.

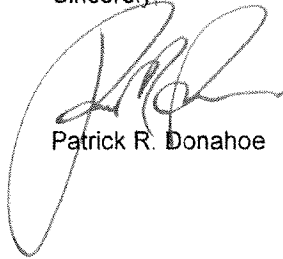
Lastly, and contrary to pessimism about the role of the Postal Service in a digital world, we are shaping a bright future for a Postal Service that is better able to serve our customers and the American public. We are radically realigning our mail processing, delivery, and retail networks to create a low-cost, technology-centric delivery platform to serve the nation for generations to come. We are aggressively pursuing product and service innovations to drive business growth and to enable businesses to gain a greater return on their investment in the mail.

If given the business model flexibility to do so, the Postal Service can quickly return to profitability and enduring financial stability. Indeed, we currently believe that Congress will pass long-term, comprehensive, beneficial postal legislation in the coming months. Should this come to pass, I believe strongly that perceptions about the Postal Service and the power of the mail will recover quickly.

In the meantime, we will continue delivering for you and providing the reliable service you deserve.

Thank you, as always, for your consideration and for your business.

Sincerely

A handwritten signature in black ink, appearing to read 'P. Donahoe', is written over a large, light-colored oval shape.

Patrick R. Donahoe