International Post Corporation

Postmaster General and CEO Louis DeJoyâ€™s Remarks During May 9, 2024, Postal Service Board of Governors Meeting

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The below remarks are as prepared for delivery by Postmaster General and CEO Louis DeJoy during the open session meeting of the Postal Service Board of Governors on May 9, 2024.

“Thank you, Mr. Chairman.

The second quarter has been an engaging one as we have started to intensify the transformation efforts of our facilities and operations to reduce our costs, grow our revenue, engage our employees, improve our infrastructure, and serve our customers in a modern, efficient, and more logistically sophisticated manner.

During this third quarter, we had three Regional Processing and Distribution Centers significantly activated, four partially activated, and another four under design or construction. We have begun to make improvements to more than 20 Local Processing Centers and have launched 25 new Sorting and Delivery Centers.

These initiatives have required the investment of billions of dollars to renovate old or add new facilities; the repositioning or hiring of tens of thousands of people; the installation or relocation of hundreds of complex mail and package processing systems; and the scheduling and rescheduling of thousands of daily air and ground transportation routes.

This effort has been engaged with historic intensity by the postal leadership and its employees across the country to carry out a long overdue transformational change.

We are also in the process of redefining our Priority network, so that it leverages our ground assets as we strive to produce a totally integrated mail and package network that will reduce cost and improve and grow revenue so that we can be financially self-sufficient as we are required to be by law.

In addition, we have rolled out our new Environmental Sustainability Plan targeting impressive reductions in carbon emissions through 2030. This year, we are accepting over 27,000 new vehicles – the most in a quarter century. Ten thousand of these vehicles that we will accept this year will be electric, and we are well on our way to having the required 10,000 live charging ports across

75 sites by the end of this calendar year.

Recently, we have reorganized over 3,000 sales personnel and supporting organizations to create new focus and inspire winning attitudes to compete for increased revenue for the United States Postal Service. And we are achieving that growth.

In terms of costs, year to date we reduced transportation costs by $700 million compared to the same six-month period last year. We have worked hard to align schedules, implement new processes, and improve productivity to reduce workhours by nearly 9 million hours over the same six-month period last year and over 11 million hours year to date. In fact, over the last two and a half years, we have reduced 47 million work hours for an estimated $2.4 billion in cost savings and nearly $1.3 billion in transportation cost savings while increasing our career workforce.

To address postal crime, we have completed a seven-city law enforcement surge as part of our Project Safe Delivery program. Overall, there have been more than 1,300 arrests for mail theft and robberies since May 2023. In fact, when compared to the same period last year, robbery-related arrests are up 72%, reported letter carrier robberies are down 21%, and mail theft complaints are down 32%.

Across the organization, there are many initiatives within every function, in every plant and every delivery unit that are producing results. In fact, since the release of the Delivering for America (DFA) plan we have accomplished many of the specified initiatives, but most importantly, we are the changing our mindset and culture, creating an organization that has passion for pursuing its initiatives to drive efficiency and reliability while competing for our financial survival as required by law.

Since the release of the DFA, we have reduced our projected operating losses by $15 billion, and if not for the excessive $9 billion of inflation incurred beyond our pricing power, we would be very close to breakeven. We have reduced our projected 10-year losses from nearly $160 billion to $65 billion and have strategies to reduce this further.

The DFA plan has changed this organization in so many positive ways, it represents the Postal Service's commitment as an independent agency to evolve our services to enable us to cover our costs by selling our products and services. This is what we must continue to do to survive – we must evolve – and that means change!

Unfortunately, to do that we cannot just focus on delivering mail tomorrow but must be focused on the long-term viability of the Postal Service. Well, the fact is the long-term viability of the Postal Service had been in doubt for over 14 years, prior to the issuance of the Delivering for America plan, and it still

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would be today without the changes we are pursuing.

During that 14-year period the Postal Service incurred losses of over $87 billion because of onerous legislation by Congress and a disregard for the economic reality of the Postal Service by the Postal Regulatory Commission. These actions, combined with ineffective management strategies, put the organization on a path to lose well over $160 billion over the next ten years, which the DFA plan seeks to correct for.

Think about this: That means the plan for the United States Postal Service, prior to the issuance of the DFA, was for the organization to lose over $250 billion over the course of 24 years. That was it, that was the plan – the Do-Nothing Plan or perhaps the Make-Believe It Wasn't Happening Plan.

There were no comprehensive initiatives from Congress, the Postal Regulatory Commission, the mailing industry, or Postal management for that matter, as to how to stem these losses. No strategies or guidance on how to reinvigorate this organization, so it could serve the public and survive far into the future. No willingness to relinquish the grip – or understand the impact of long failing institutional practices that were manifesting in front of them each day. Very little energy to be transparent to the public about the cumulative destruction inflicted on their constitutionally provided Postal Service as they screamed about the transferring of an operation, the failure of an operating practice or the steady decline in reliability.

Has anyone in Congress or the PRC ever worked to stem $160 billion in projected organizational losses, while overcoming the devastating impact to an organization that nearly $100 billion in previous losses inflicts? The answer is no. How do I know? Because other than at the Postal Service, this situation has never existed.

I know what it's like. Our leadership team knows what it's like. Our carriers that drive 30-year-old vehicles know what is like. Our employees that work in dark dilapidated facilities know what it is like.

Prior to the Delivering for America plan, there was no path to financial self-sustainability or no growth strategy – no plan to repair the damage. Today, there is, and we are working hard to reduce our go-forward costs by approximately $5 billion, while growing our revenue by close to the same. We are working hard to build an operating and revenue model that delivers for the American people far into the future, and we are having success.

But along this hard journey, we are also experiencing failures. Why wouldn't we be given the magnitude of the transformation we are undertaking and the devastating trajectory we are trying to change?

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However proud I am of the DFA plan, our leadership team and our employees that are working hard to implement our initiatives, I must remind our stakeholders that the DFA plan is not a magic wand. And that change, particularly on the scale that is needed, is hard, uncomfortable for everyone and encounters errors of varying magnitude.

We cannot snap our fingers and instantly implement our strategies that correct for years of failed practices while continuing to perform the substantial delivery operations we need to do each day without impacts. Similarly, the DFA plan is not a time machine. We cannot go back in time and undue the devastating conditions across the enterprise that exist because of years of Postal Service and stakeholder inaction.

The Delivering for America strategic plan embodies our ambition to modernize and transform the Postal Service. This massive and complex evolution includes correcting decades of haphazard decision making and neglect to our physical infrastructure and overall network.

Throughout this journey, we recognize that there have been impacts to our customers, especially in regions like Atlanta, Houston, and Richmond, where transformation activities have been elevated. We apologize for these conditions and are working hard and know that we will soon be delivering the service the American people deserve.

Those impacts are inherent to the massive change processes that we are undertaking. Those impacts are also the result of errors in execution that we aim to correct quickly. With that said, we have and will continue to work tirelessly to improve our service for our constituents and ask for your patience and understanding as we work to bring the Postal Service up to the standard we know it can reach within the time limits we have for survival.

Later, we will hear from Dr. Colin regarding the intensified efforts we are deploying in those areas of the country where we are failing to meet service expectations. Again, I apologize for the deteriorated performance and assure you that you will soon see improvement.

I would like to thank my leadership team for their persistent efforts to resolve executional missteps and for their quick response to adverse events we encounter along our journey. I am proud of their dedication and overall conduct.

I also would like to thank our Board of Governors for their continued support of the Delivering for America plan as well as their eagerness to comprehend the massive improvements we are endeavoring to achieve.

Finally, and most importantly, I thank the women and men of the United States Postal

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Service for their unwavering commitment to the nation.

Thank you, Mr. Chairman."

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