

USPSNEWSLINK *EXTRA*

Wednesday | March 12, 2008

MEET THE NEW PRICE LEADER!

We now have unprecedented pricing flexibility and we're going to use it!

Forget everything you thought you knew about how the Postal Service sets its shipping prices. Starting May 12, it's a brave new shipping world!

Our business has been changing. And one of the biggest changes is how we price our products. The new Postal Law gives us unprecedented pricing flexibility and we're taking advantage of that to help us grow and compete better. That's important for our customers and for our future.

We took an important step last month when we announced new prices for our *mailing services* — First-Class Mail, Standard Mail and periodicals.

Today, we're announcing new prices for our *shipping services*. That includes products most of you know — Express Mail and Priority Mail — and some you may be less familiar with, like Parcel Select and Package Return Service.

It used to be one size fits all — prices were the same for everybody. It didn't matter if you shipped one package or a million. It didn't matter if you did business through the Internet or came to the Post Office.

We're the only shipper that priced that way. We always had great service, but so did our competitors. We simply couldn't match them on price. We're changing that May 12, when our new prices go into effect.

We're pricing to sell. Add that to everything else we've got going for us and we're going to be able to compete like never before.

Here's a quick look at the changes in Express Mail:

- Our old prices were a lot higher than our competitors' for short distances and a lot lower for some long distances. Now we're moving to zone-based pricing, just like other shippers use. This will make our prices more attractive for short distances — where most of the volume is — and still give us a price advantage for more distant points.
- We'll continue to offer retail rates for customers who come to the Post Office, but now we'll offer lower prices for customers who pay online or who use corporate accounts. There also will be lower prices for customers who meet minimum daily volumes. Some customers will be able to take advantage of both.
- For pieces up to 5 pounds, our prices are better than FedEx for every zone.
- Express Mail is still the *only* product with Sunday and holiday delivery. Our \$12.50 premium will help us offset its costs *and* keep it profitable.
- Unlike our competitors, we have *no* Saturday delivery premium.

- We've increased the reach of our overnight network and we'll be expanding it further to match the competition

We're making changes in Priority Mail, too:

- Customers can pay less by buying online.
- We're now offering Flat-Rate boxes in a new, 50% larger size.
- The new, larger box was designed with businesses in mind. They told us that's what they needed and that's what we're providing.
- And there's a new, reduced Flat-Rate box price for APO and FPO addresses.
- New prices also will make our product more attractive in high-volume categories.

Ground services incentives will help volume grow:

- We already deliver the "last mile" for Parcel Select customers. Now we'll be offering price incentives to keep that volume growing.
- We will offer price incentives for Parcel Return Service, with price reductions for lighter packages.

International services have been simplified, prices are competitive:

- Today's mail is global and USPS international shipping is a great value.
- We've simplified our International products so they mirror our domestic products.
- International shipping is now quick, easy and convenient.
- Our international prices are 20-70% less than our competitors.

As you can see, we're taking a new approach to pricing, one that will help us keep customers. It will help us get new business from our current customers. And it will bring new customers to our door.

But pricing is just part of our offering. We have to match that with great service. Put the two together, and that's the value shippers are looking for.

These are important changes. You'll be hearing more about these changes in *Link* as we get ready for May 12.

New prices bring new opportunities. We're priced to sell — and to compete.