



April 10, 2013

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The Honorable Tom Bates
City of Berkeley
2180 Milvia Street, 5th Floor
Berkeley, CA 94704-1122

Office of
Mayor Tom Bates

Dear Mayor Bates:

This letter is to clarify the facts about the Postal Service's financial crisis and the proposed sale of the Berkeley Post Office and other Post Offices across the country.

The Postal Service is losing \$25 million every day and ended the last fiscal year with a loss of \$15.9 billion. We defaulted on payments to the United States Treasury of \$11.1 billion and continue to contend with a serious liquidity crisis. This is not due to "a manufactured crisis," but instead, is a direct result of a fundamental change in the way Americans use the mail and the lack of flexibility in our business model to adapt to these changes.

Single-piece, First-Class Mail volume has decreased 37 percent since 2007, as our customers switch to electronic forms of communication and conducting business, such as online bill payment. This is a trend that will continue to erode postal revenues. Despite our best efforts to increase revenue and reduce operating expenses, we lack the flexibility in our business model to close a widening budget gap. This is the core cause of our financial challenges. The Postal Service must generate roughly \$20 billion in cost reductions and revenue generation by 2016 to return to financial stability.

We are taking every reasonable and responsible step in our power to strengthen our finances immediately while we wait for Congress to pass comprehensive postal reform legislation. Since 2006 we have:

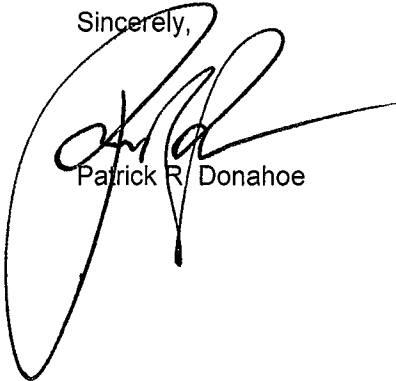
- Reduced the size of our workforce by 193,000 employees through attrition.
- Reduced our cost base by \$15 billion.
- Consolidated more than 200 mail processing facilities.
- Modified operating hours at over 13,000 Post Offices (Post Plan).
- Reduced some 21,000 delivery routes.
- Provided increased access to postal products and services.

In addition, we continue to improve efficiencies by making better use of space through the selling of select properties at various locations across the country. The Postal Service has a growing number of buildings with more space than is needed because of a severe decline in mail volume and the fact that fewer people need to come to a brick and mortar Post Office. More than 40 percent of our retail transactions now occur at places other than Post Offices.

The Postal Service is the first to acknowledge how important it is to preserve our historic buildings, which is why we are going through a lengthy and transparent process to assure their protection before they are sold. In the case of Berkeley we have been forthcoming on our proposal to sell the building. We held a public meeting in February where we listened and documented the concerns of hundreds of people. Should the decision to relocate the retail operation and sell the building be approved, there will be a 15-day appeal period.

Reducing the number of properties the Postal Service owns is just one way we are moving forward as part of our plan to secure a financially sound future. We look forward to providing customers in Berkeley, and all Americans, with secure, reliable, and affordable service for generations to come.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'P. Donahoe', is written over the word 'Sincerely,'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Patrick R. Donahoe