

MTAC OPEN SESSION

OPERATIONS UPDATE

Megan J. Brennan
Chief Operating Officer

AGENDA

- ❑ QTR I SERVICE PERFORMANCE**
- ❑ MTE UPDATE**
- ❑ PEAK SEASON OVERVIEW**
- ❑ OPTIMIZATION UPDATE**
- ❑ LABEL LIST CHANGES**
- ❑ FLAT STRATEGY UPDATE**
- ❑ LOAD LEVELING INITIATIVE**
- ❑ 24 HOUR CLOCK COMPLIANCE**
- ❑ SUMMARY**

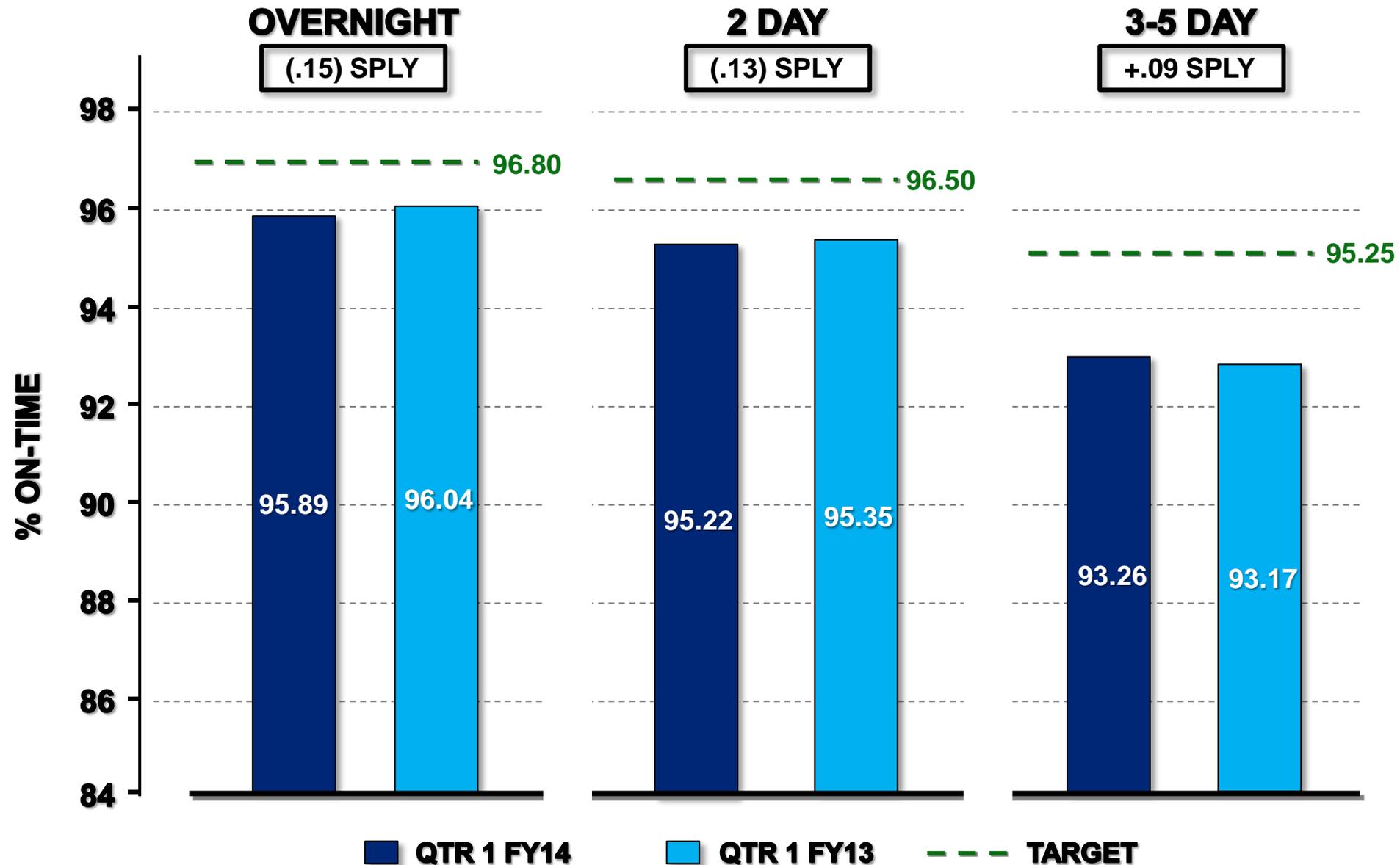


QTR 1 SERVICE PERFORMANCE **FIRST-CLASS MAIL** **STANDARD AND PERIODICALS**

SERVICE PERFORMANCE

FIRST-CLASS MAIL

First-Class Service Performance



* Targets Shown are FY 2014

SERVICE PERFORMANCE

STANDARD AND PERIODICALS

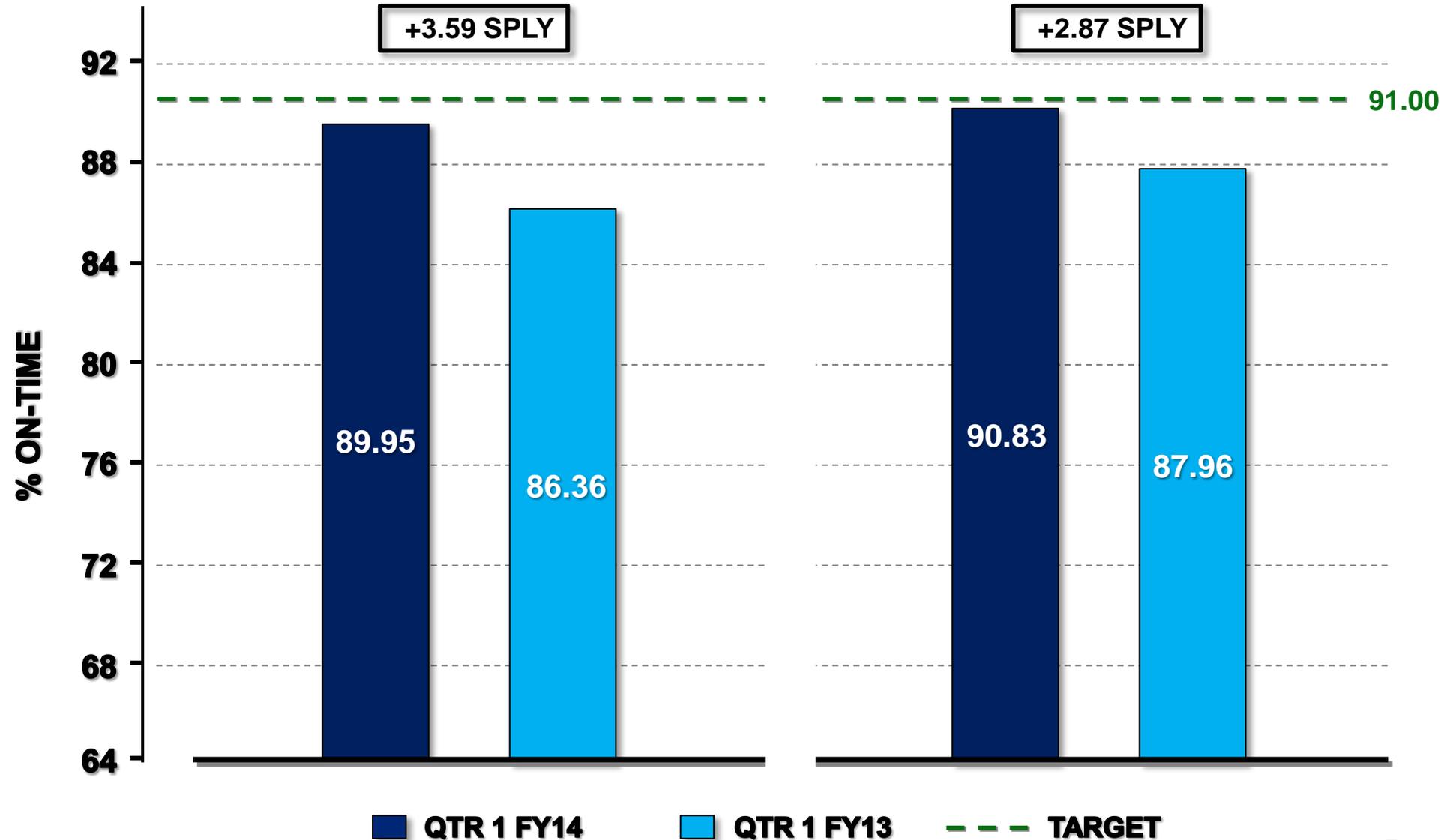
Standard Letters Service Performance

SCF LETTERS

+3.59 SPLY

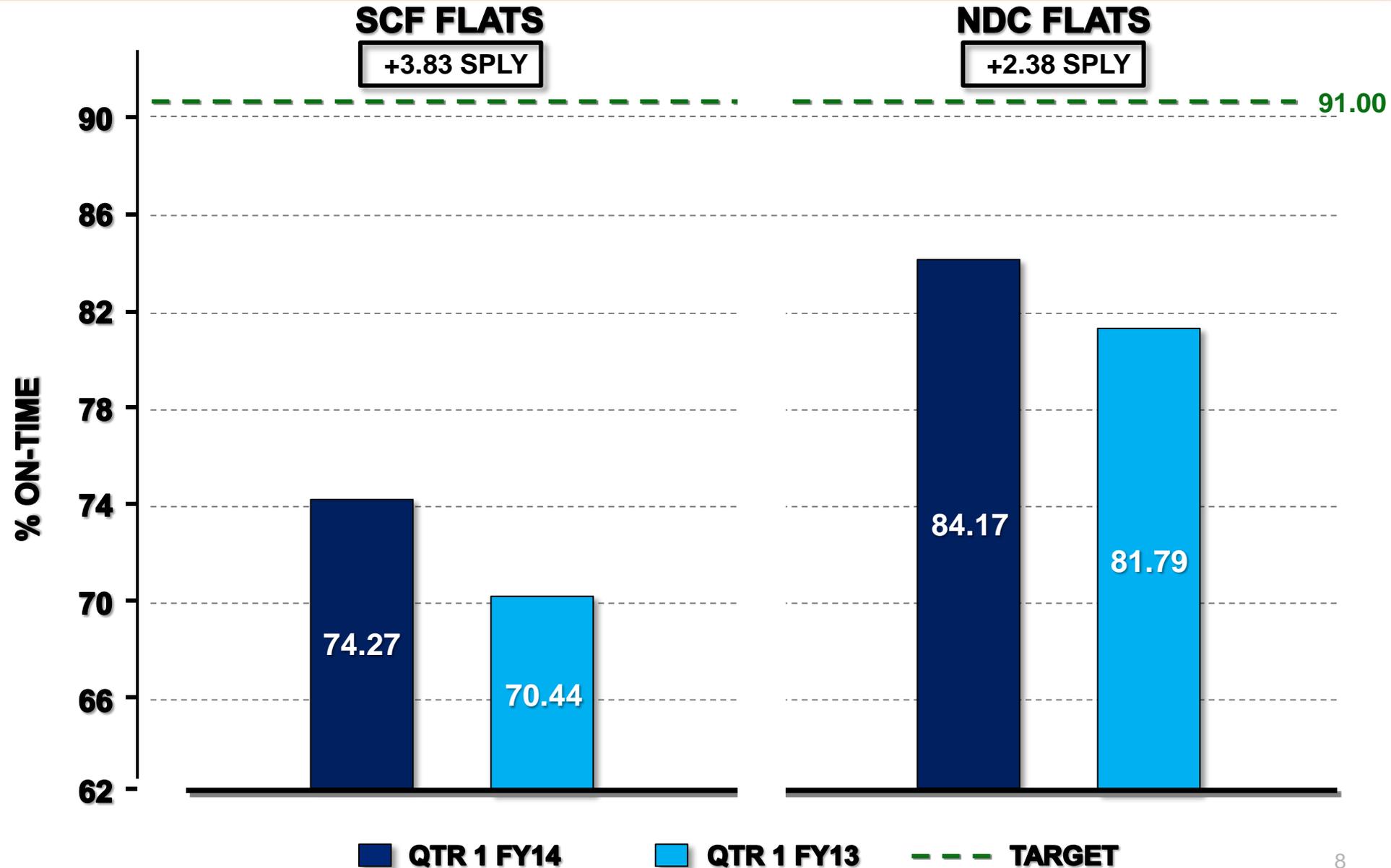
NDC LETTERS

+2.87 SPLY



* Targets Shown are FY 2014

Standard Flats Service Performance

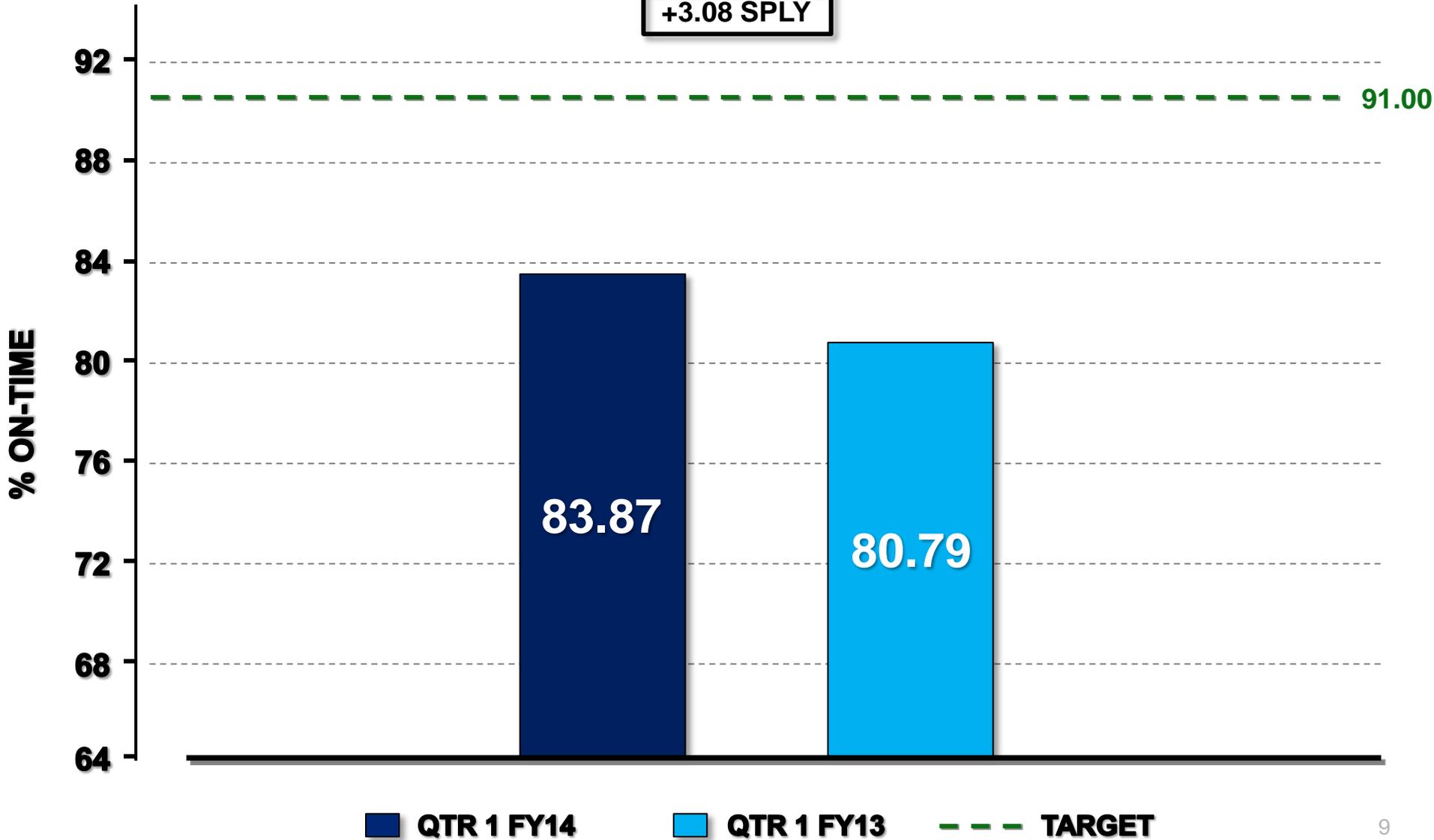


* Targets Shown are FY 2014

Periodicals 1-2 Day Service Performance

PERIODICALS

+3.08 SPLY



* Targets Shown are FY 2014

Continuous Improvement Focus

□ **Lean Mail Processing (LMP)**

- Improving efficiencies in mail flows and cycle times through application of LMP Principles throughout the network

□ **Driving daily compliance to Run Plan Generator (RPG)**

- Planned vs. actual equipment Run Hours, Volumes, and Throughput per hour performance

□ **Load Leveling**

- Leveling the Monday workload to improve efficiencies and predictability in delivery performance

□ **Leveraging IMb**

- Enhanced diagnostics to enable course correction to ensure FIFO processing and prevent service failure

MTE UPDATE

❑ **Successful Fall Mailing Season!!!**

- **No cancelled orders**
- **Overall inventory exceeded demand, allowing us to fulfill every order**
- **Strongest inventories of the past 5 years**

MTEOR moves toward full implementation

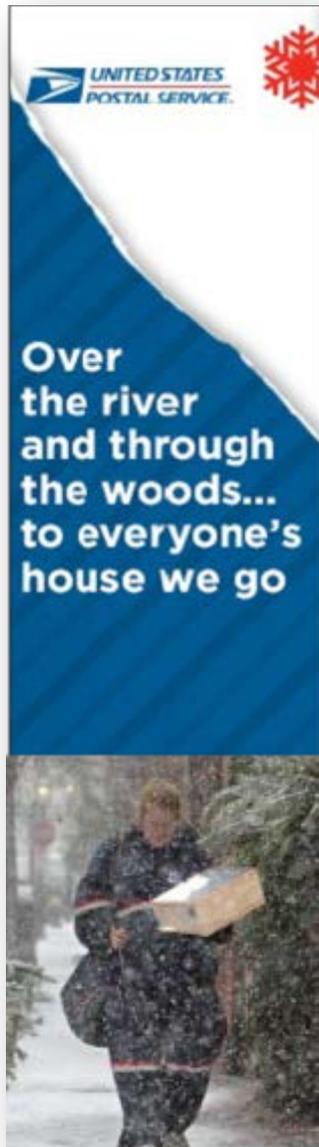
MTEOR will be launched for Local Mailers in all Areas in 2014 using a phased approach by Area

- ❑ Southern Pacific – February 3, 2014
- ❑ Northern Pacific – March 3, 2014
- ❑ Eastern Area – April 7, 2014
- ❑ Great Lakes Area – May 5, 2014
- ❑ Southern Area – June 2, 2014
- ❑ Northeast Area – July 7, 2014
- ❑ Capital Metro Area – August 4, 2014
- ❑ Western Area – September 8, 2014



PEAK SEASON OVERVIEW





CANCELLATION VOLUME

TOTAL PACKAGES

RETAIL ACCESS

OPTIMIZATION UPDATE

❑ **Network Rationalization – Phase 1**

- Completed 176 Consolidations
 - 2 Remaining Consolidations Will be Completed by Feb 1, 2014

❑ **Network Rationalization – Phase 2**

❑ **POSt Plan**

- 7,995 Implementations Completed in FY 2013
- Remaining 5,186 Will be Completed in FY 2014

LABEL LIST CHANGES

STRUCTURED RELEASE CYCLE

□ Background

- Task Team #11 re-opened per request of mailing industry
- USPS agreed to 30-day notification period
- USPS can be more agile with labeling list changes (5-digit) through monthly update cycle
 - Enables top down management of labeling lists
 - Ensures alignment of pre-sortation & internal USPS sort schemes

□ Benefits

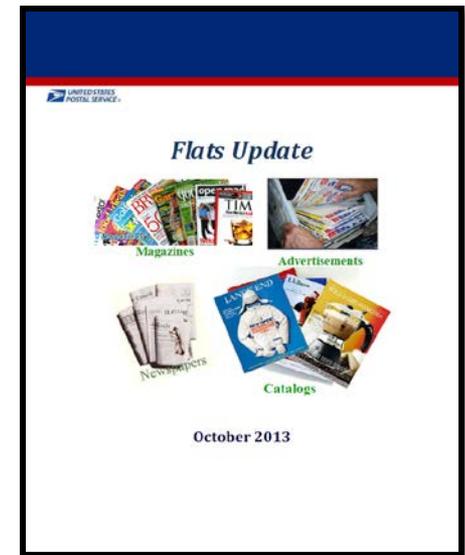
- Enables deeper pre-sort discount
- More full trays
- More efficient use of containers & transportation

FLATS STRATEGY UPDATE

Flats Strategy Document

❑ Collaborative effort with Industry Association leaders

- Will include overview of strategies
- Sub-group exploring additional opportunities
- Draft disseminated to workgroup for review on January 10, 2014
- Joint strategy discussion January 13, 2014
- Webinar scheduled on January 24, 2014
- Collaborative efforts will continue through 2014

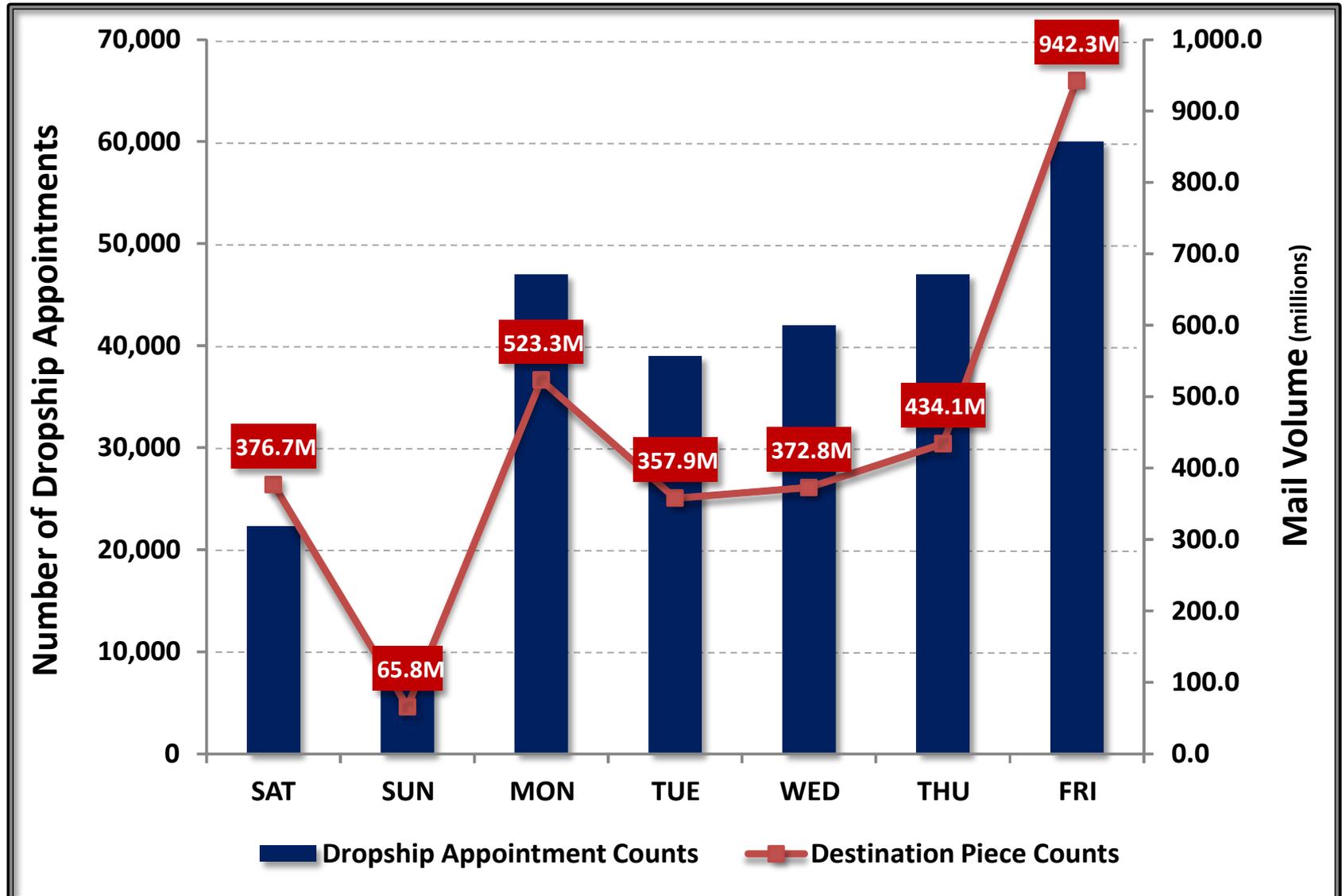


DSCF STANDARD MAIL LOAD LEVELING

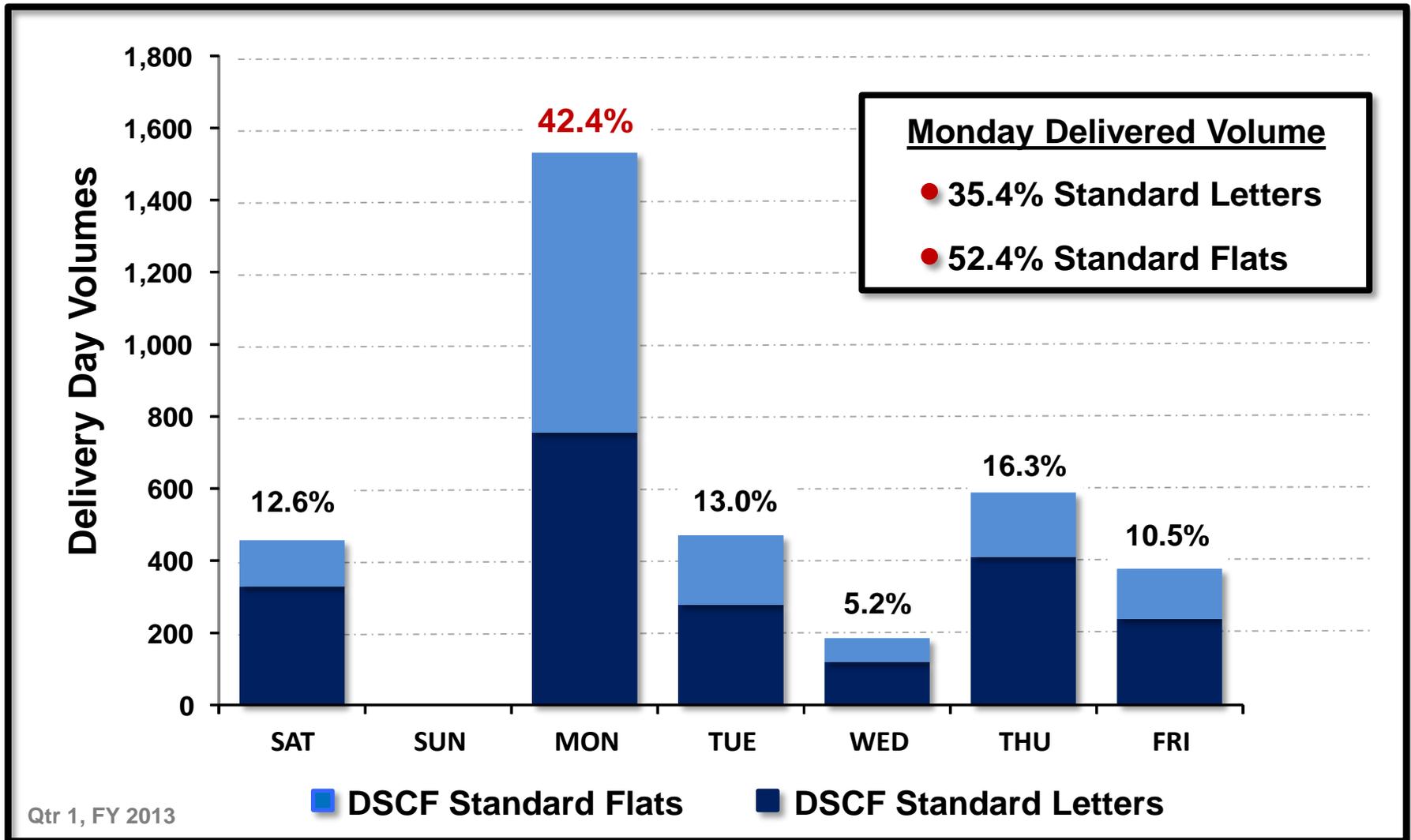
Overview

- On average ~42% of DSCF Standard Mail volume is drop shipped by mailers on Friday. The disproportionate volumes committed for delivery on Monday results in:
 - **Service Variability**
 - **Operational Inefficiencies**
 - **Increased Cost**

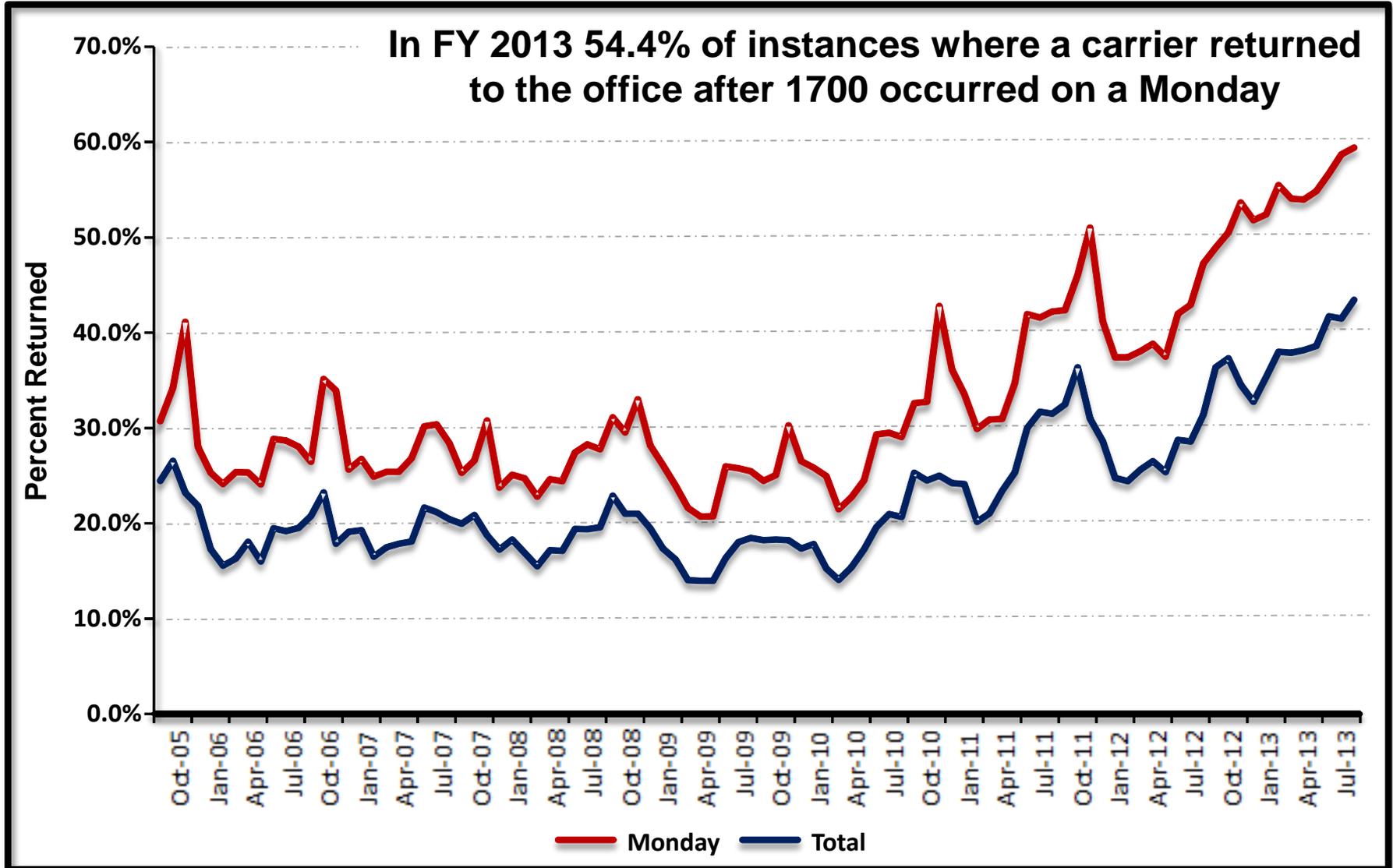
FY13 Qtr 1 All Dropship Appointments / Vol for Full Service IMb Standard Mail



Impact on Delivery – Average % of Standard Mail Delivered by Day



Percentage of City Carriers Returning After 1700



Disproportionate Monday workload not only results in late delivery and added costs, it also impedes our ability to meet critical 24 hour clock parameters resulting in:



- Late processing
- Late / missed transportation
- Additional processing / transportation costs
- Service failure

USPS - Industry Workgroup #157

- ❑ **Develop strategies that will facilitate the load leveling of volumes across the days of a week**
- ❑ **Evaluate strategies for potential adoption and implementation**

Industry Participation

- **Bank of America**
- **Brown Printing Co**
- **Calmark Group**
- **Conde Nast**
- **Data-Mail Inc.**
- **Farrington**
- **Grayhair Software**
- **Harte Hanks**
- **Intelisent**
- **Mystic Logistics**
- **Our Sunday Visitor**
- **Parcel Shippers**
- **Pitney Bowes Presort Services**
- **Publisher's Clearing House**
- **Quad Graphics**
- **RR Donnelley**
- **Valassis**
- **World Marketing Inc**

□ Options Identified/Evaluated

- **Eliminate Sunday as a day of measurement**
- **Change Critical Entry Times for selected day of week**
- **Add an additional day to service standard for mail entered on Thursday after 1600 CET, Friday or Saturday**
- **Commissioned a two week operational study**

SCOPE OF LIMITED CHANGE

DELIVERY DAYS MEETING SERVICE STANDARD		
DSCF Standard Mail** Dropped Before 4pm* on	Current	Proposed
Thursday	Friday, Saturday, Monday	Friday, Saturday, Monday
Friday	Saturday, Monday	Saturday, Monday, Tuesday
Saturday	Monday, Tuesday	Monday, Tuesday, Wednesday
Sunday	Monday, Tuesday, Wednesday	Monday, Tuesday, Wednesday

*The current Critical Entry Time (CET) for Standard mail is 4 pm

**For delivery in the continental United States

WHAT DOESN'T CHANGE

- Standard mail dropped at a DDU does not change
- Standard mail dropped at a NDC does not change
- EDDM-Retail does not change
- Periodical/Newspaper processing does not change
- First-Class does not change
- Priority does not change

Scope: Evaluate the impact of load leveling the Standard Mail volumes received at the South Jersey P&DC across the days of the week.

Test Location – South Jersey P&DC
(First Lean Mail Processing Plant)

Test Period – Sep 12th through Sep 26th, 2013

Delivery Zones Participating: 110

Delivery Routes Participating: 1,190

Standard Mail Volume in Evaluation: 5.3M pieces

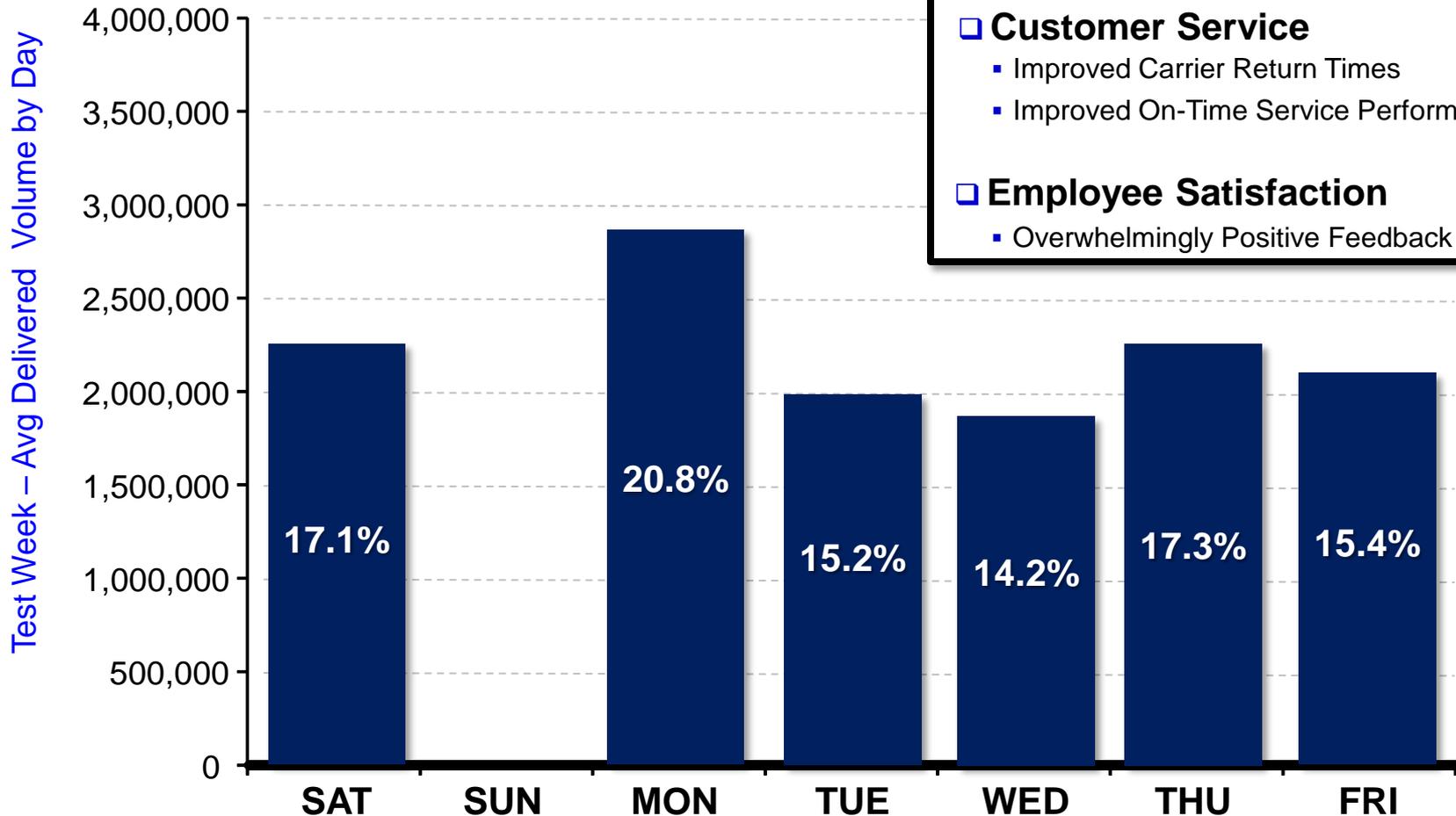




LOAD LEVELING COLOR TEST		
TEST PERIOD 9/11 16:00 TO 9/25 16:00		
TEST TEMPORARY STANDARD MAIL COLOR CODE		
DESTINATION AADC, ADC, SCF 3-DIGIT, 5-DIGIT, CRT	DELIVERY MATRIX	
DAY OF RECEIPT	COLOR CODE APPLIED	THREE DAY DELIVERY
L&DC/P&DF/ASF MPC/MPF/CSPC CSPF/L&DC	GREEN	WED
	GREEN	WED
	VOLET	THU
	YELLOW	FRI
	PINK	SAT
	BLUE	SUN
	ORANGE	TUE

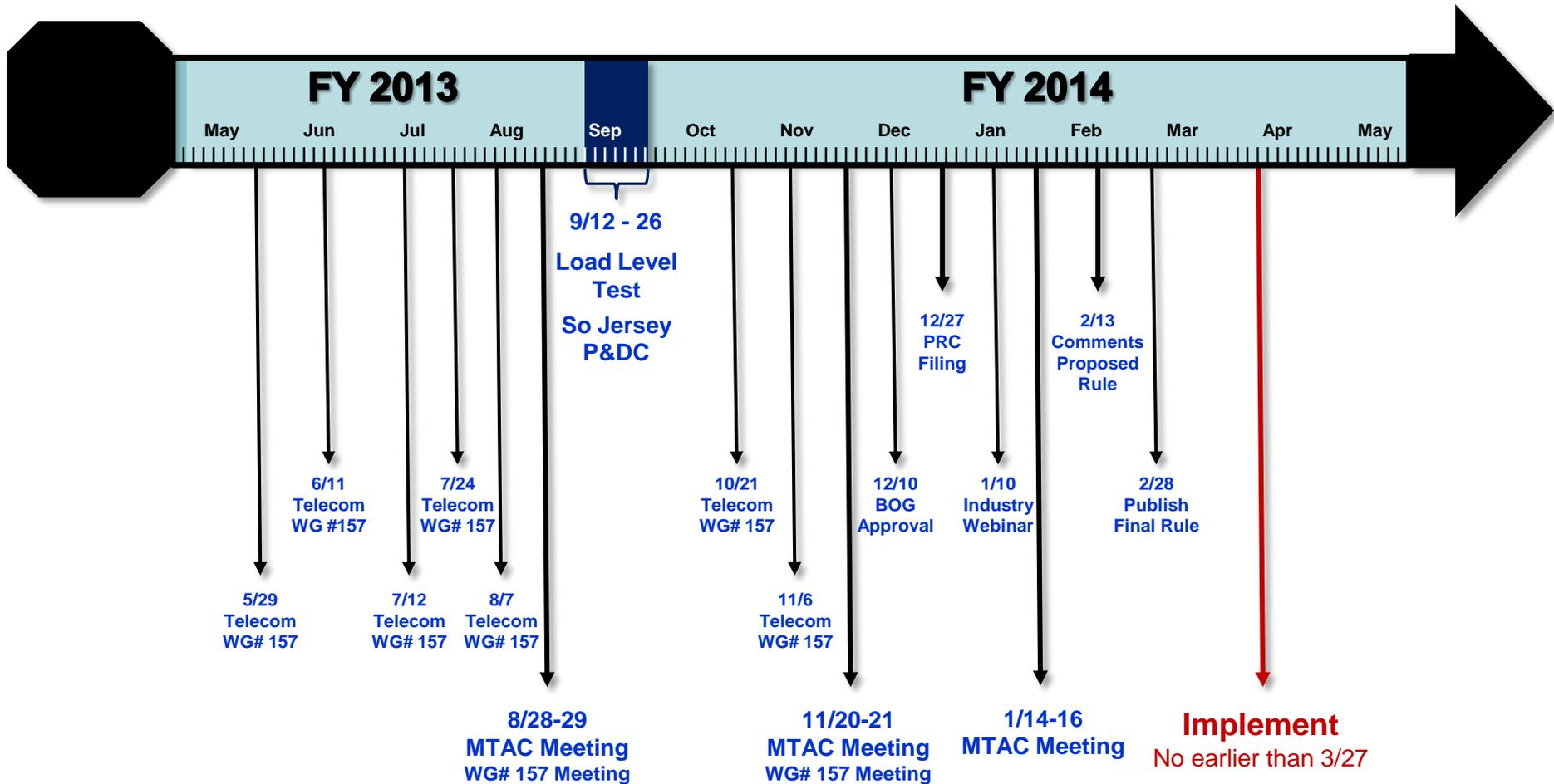
- **Trained Expeditors, Mail Handlers on new color code matrix**
- **Changed all Signage**
- **Developed comprehensive plan with local site to segregate mail by color code, stage at plant**
- **Strict adherence to machine schedules allowed us to control what mail was advanced by sort program**

South Jersey P&DC Sep 14th – 20th



- Efficiency**
 - Reduced Total Weekly Carrier Work Hours
 - Reduced Carrier OT and Penalty OT
- Customer Service**
 - Improved Carrier Return Times
 - Improved On-Time Service Performance
- Employee Satisfaction**
 - Overwhelmingly Positive Feedback

Load Leveling Initiative Timeline of Events



- ❑ Continue Stakeholder Engagement
- ❑ Add Additional Sites to Test Implementation Approach
- ❑ Review Comments to Proposed Rule – Feb 13, 2014
- ❑ Publish Final Rule: February 28, 2014
- ❑ Receive PRC Advisory Opinion
- ❑ Implement Change no Earlier Than March 27, 2014

USPS - INDUSTRY COLLABORATION



Commitment to Communicate

- ❑ **Provide Easy Access to Information and FAQs Updated Weekly on RIBBS**
- ❑ **industryfeedback@usps.com**
- ❑ **Committed to Collaboration/Communication**

SUCCESS REQUIRES COLLECTIVE EFFORT

Expected Long Term Benefits

- Predictable Service**
- Customer Satisfaction**
- Cost Containment**

24 HOUR CLOCK COMPLIANCE



- ❑ Modify current 24 hour clock parameters to reduce the cycle time expectations of:
 - Collections
 - Processing
 - Transportation
 - Delivery

TARGET – 95% CARRIERS OFF THE STREET BY 1700

**24 Hour
Clock
Compliance
Charter**

Implement processes, technology and operational discipline to align with the 24hr clock parameters to drive consistent service and increase operational efficiency.

**ELT Sponsor
Initiative Lead**

**Megan
Brennan**

	Workstream	Owner		Workstream	Owner
1	Delivery	Ed Phelan	4	Network Operations Engineering	Dave Williams
2	Post Office Operations	Ed Phelan	5	Product Visibility	Robert Cintron
3	Processing Operations	Dave Williams	6	Engineering Systems	Mike Amato

- ✓ **Detailed project plans developed and tracked for key activities.**
- ✓ **Area and District project plans under development to coincide with all Headquarters activities for field implementation**
- ✓ **Provide weekly updates on key activities, risks, and next steps. Weekly meetings every Thursday starting January 2, 2014**
- ✓ **Escalate any issues/barriers to success to ELT as needed**
- ✓ **Union / Management Associations engagement**

SUMMARY

Summary

- ❑ **Intense Focus on 24 Hour Clock Execution**
- ❑ **Our Commitment**
 - Drive Operational Efficiencies
 - Effective Use of Data and Diagnostic Tools
 - Predictable Service
 - Industry Engagement



Thank You

Questions?