



MAILERS TECHNICAL ADVISORY COMMITTEE

Megan J. Brennan
Chief Operating Officer

November 30, 2011

2012 - Dynamic and Fluid Environment

- Volume Trends**
- Transforming Infrastructure**
- FSS Stabilization**
- MTE Supply and Demand**
- Service**

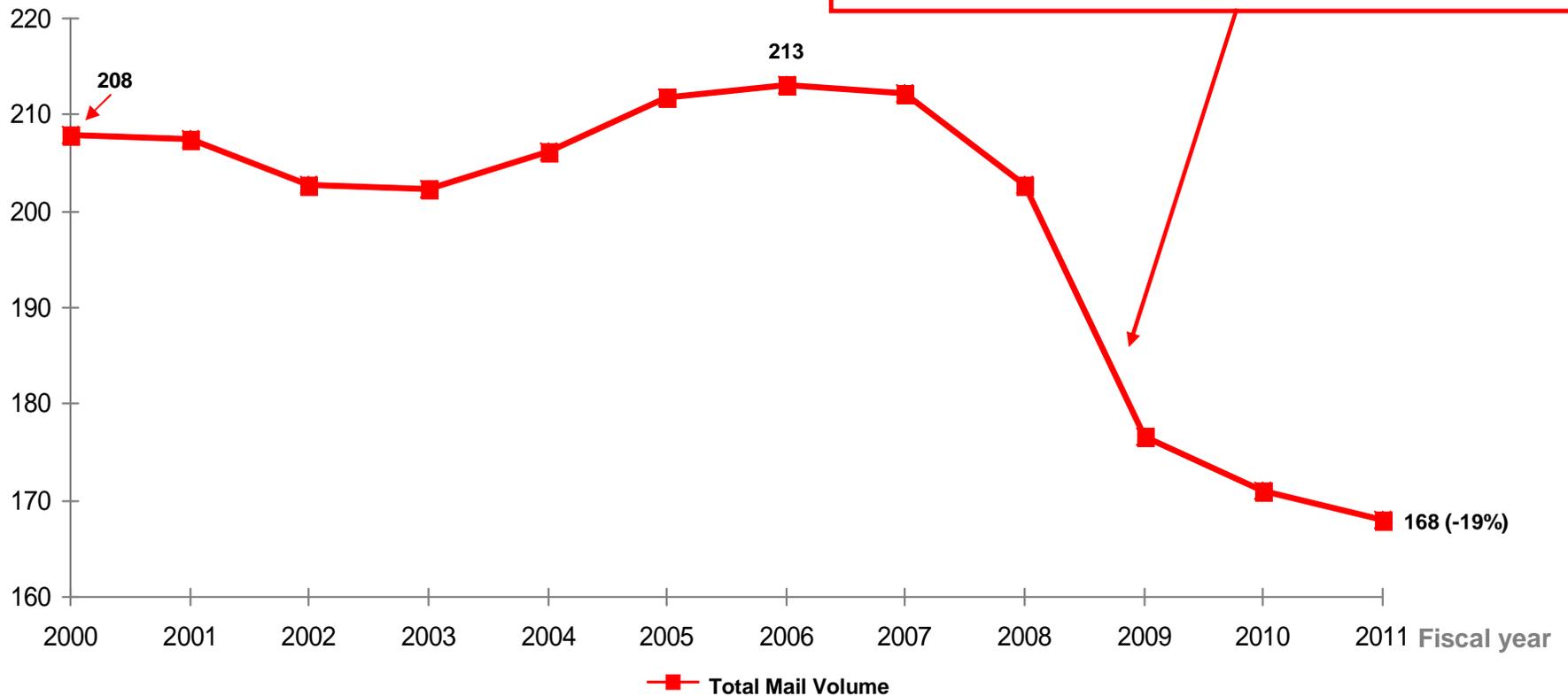


UNITED STATES
POSTAL SERVICE®

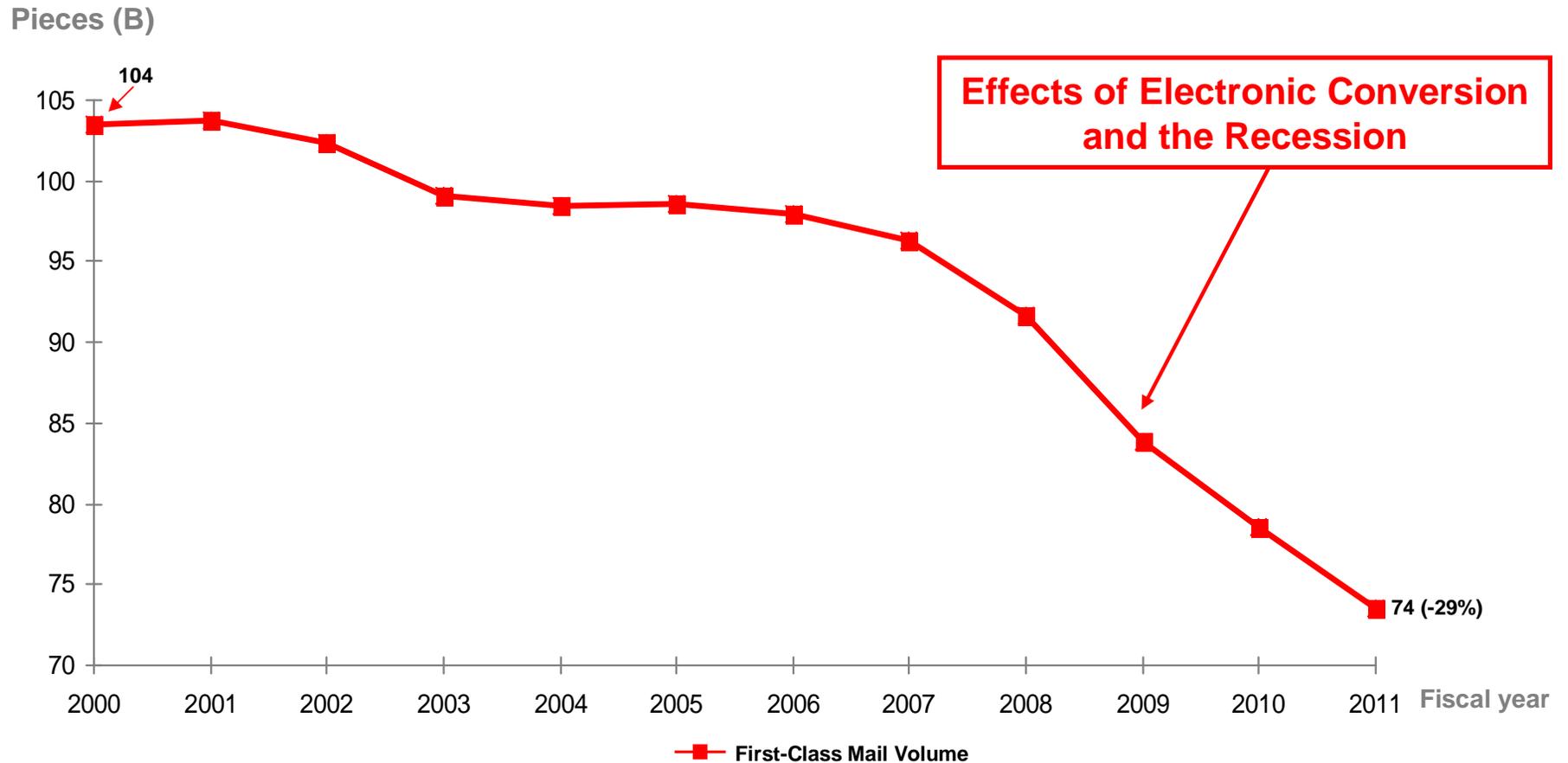
MTAC

Volume Trends

Pieces (B)

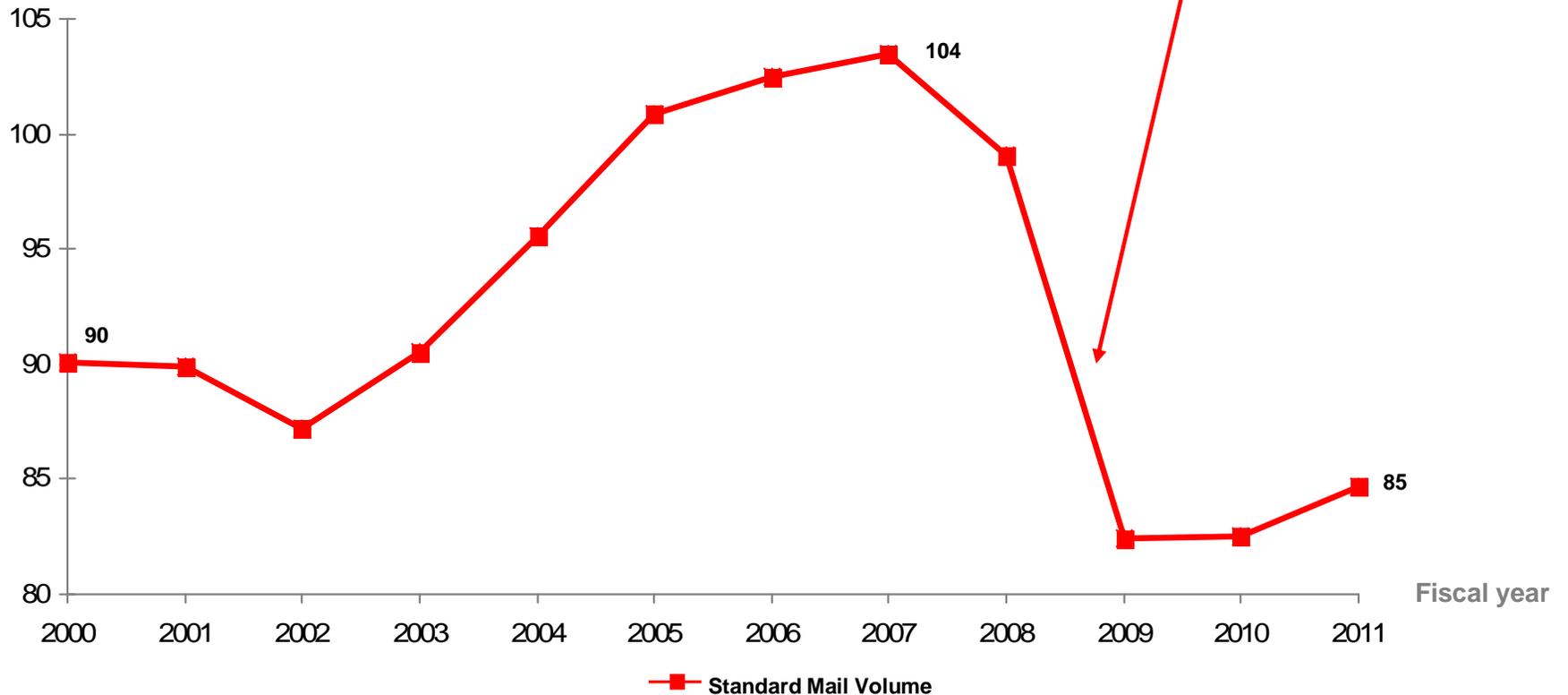


FY2011 volume represents 21% decline from 2006 peak and 19% decline from FY2000

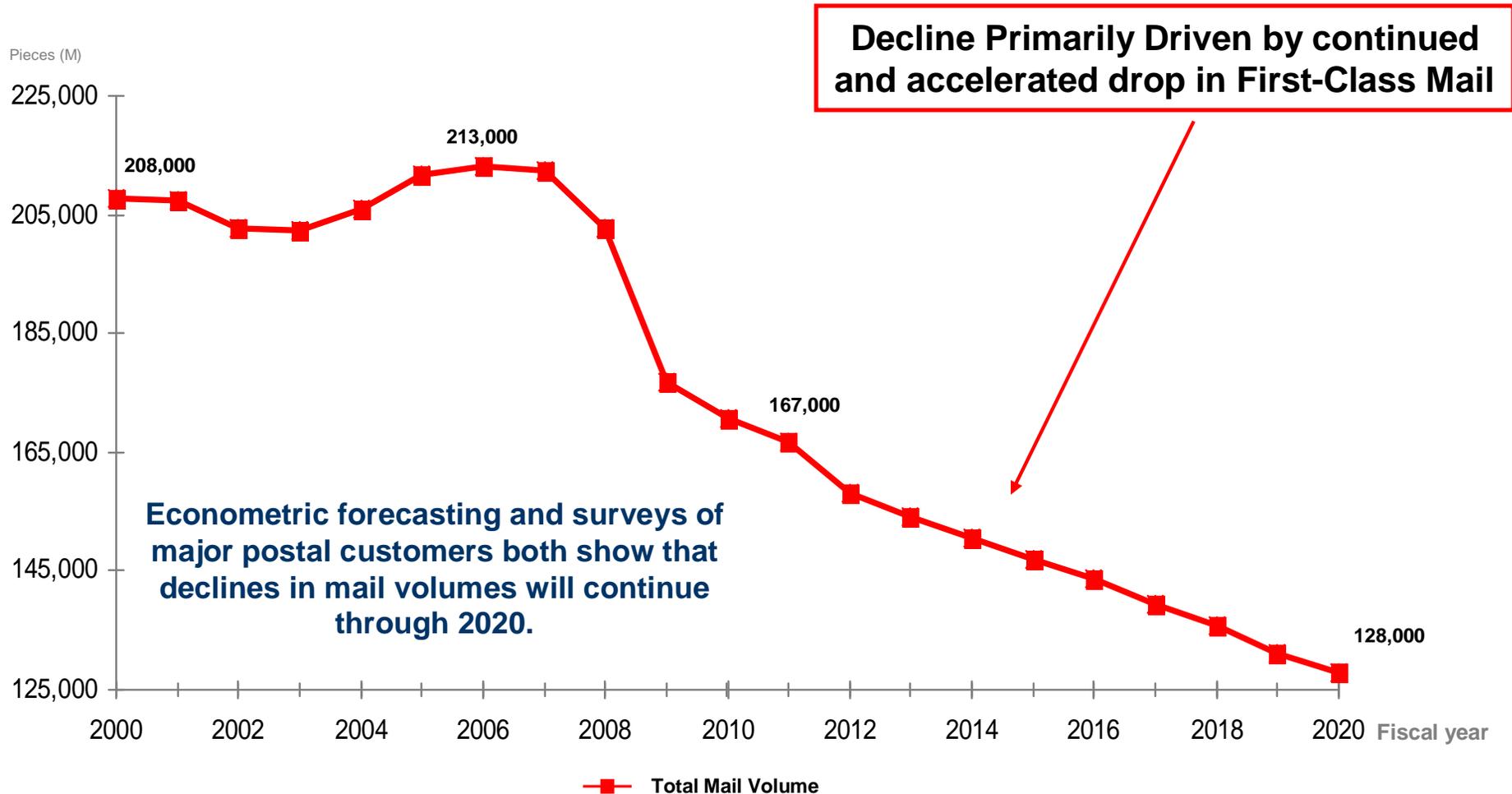


First-Class Mail Volume has Declined approx. 29% since FY2000

Pieces (B)



FY2011 Standard Mail volume represents a 18% decline from 2007 and a 6% decline from FY2000.



FY2020 projected volume represents a 40% decline from 2006 peak and 38% decline from FY2000



UNITED STATES
POSTAL SERVICE®

MTAC

Transforming Infrastructure

Infrastructure

- Network Optimization**
- Delivery Optimization**
- Facilities Management and Disposal**

- ❑ **Integrated Network Planning**
 - Goal is to develop optimal footprint

- ❑ **Stakeholder Management**
 - Announce AMP studies, monitor feedback

- ❑ **Regulatory Filings and Rule Changes**
 - December 5th Filing
 - PRC non-binding advisory opinion

- ❑ **Implementation**
 - Follow AMP process, use "top-down" approach
 - End state: ~50% reduction in plants and equipment, ~\$3B savings

□ **Route Optimization**

- Adjust route structure to reduce office time, reduce total routes to meet volume decline

□ **Mode of Delivery**

- Adjust delivery methods to maximize efficiency.

□ **Delivery Unit Optimization**

- Centralize carrier units to reduce transportation, increase efficiency, lower workhour costs

□ **Five Day Delivery**

- ❑ **Generate revenue and reduce expenses by:**
 - Selling owned buildings
 - Terminating leases
 - Eliminating operating costs

- ❑ **Reduce facility inventory square footage to reduce operating costs**

- ❑ **Achieve both objectives for:**
 - Network
 - Retail
 - Carriers

FY 2011 Change:

- ❑ 50 AMP Studies Completed**
- ❑ 6,500 City Routes Reduced**
- ❑ 500 Rural Routes Reduced**
- ❑ \$53M Savings From Rural Count**
- ❑ 1,503 City Vehicles Moved to Rural Routes**
- ❑ 1,800 City Vehicles Sold/Destroyed**
- ❑ 404 Post Office/Retail Units Discontinued**
- ❑ 1,487 Delivery Units Consolidated**
- ❑ 2.2 Million sq ft of Facility Space Eliminated**

FSS STABILIZATION

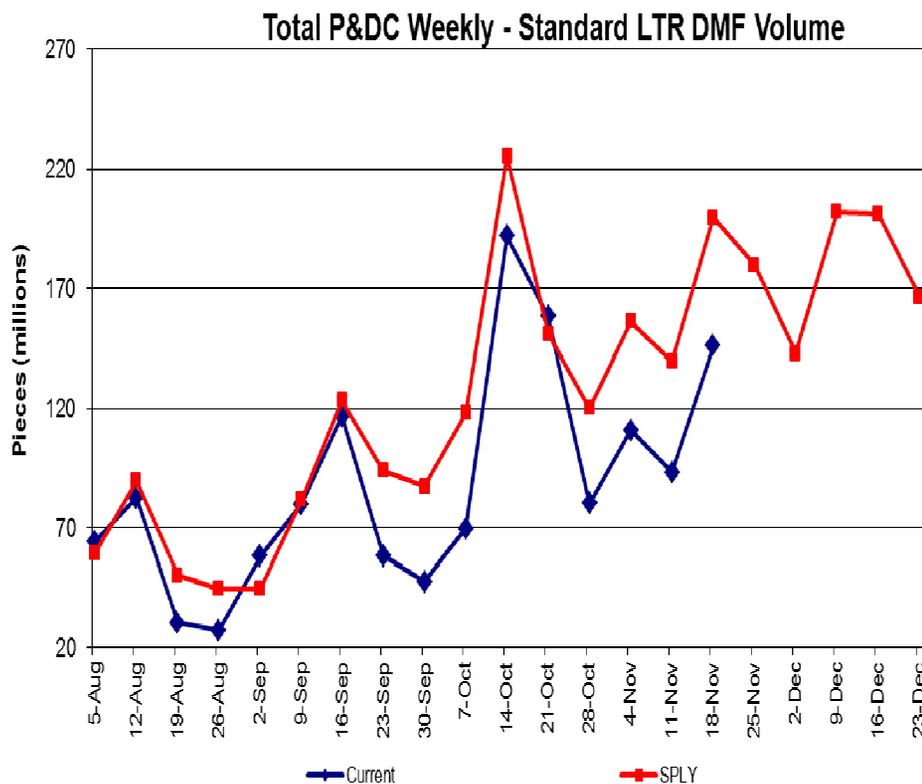
FSS Deployment:

- **Accelerated FY 2011 Deployment**
 - First “Peak Season” for 90% of FSS Operations
- **FY 2012 Focus on Stabilization**

FSS OPERATIONAL STATUS

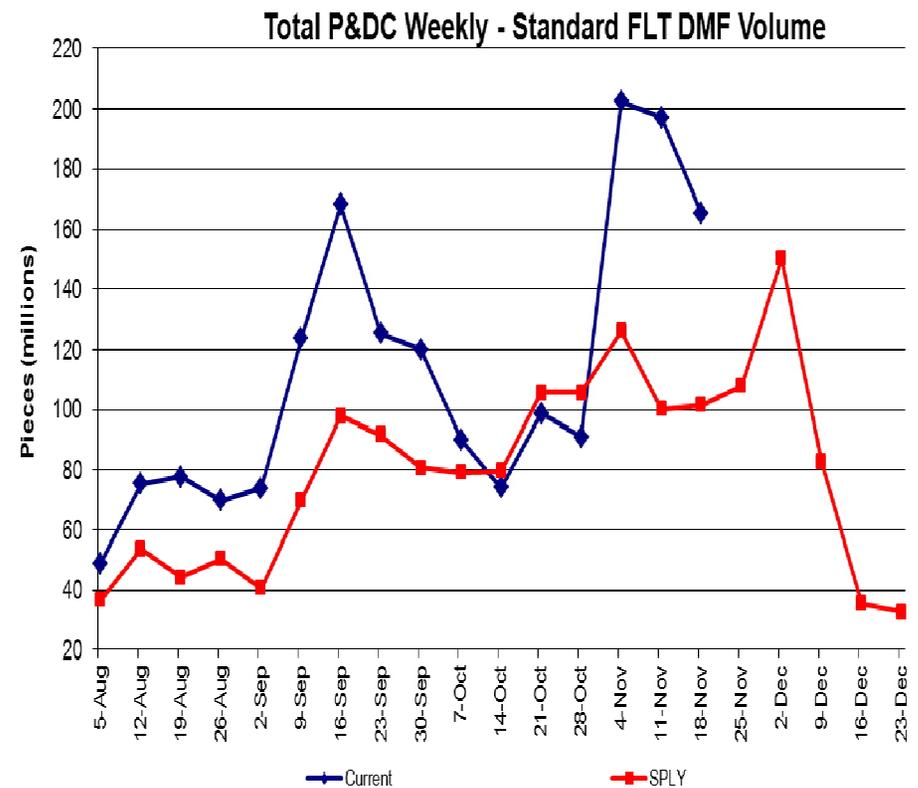
	<u>Machines</u>	<u>Sites</u>	<u>Delivery Units</u>	<u>Delivery Routes</u>
Nov 1, 2010	10	5	186	6,310
Nov 1, 2011	100	42	1,193	42,737

Delayed Letters



FY 2012 YTD (20.45%) SPLY

Delayed Flats



FY 2012 YTD 15.82% SPLY

FSS Improvement Initiatives

- ❑ Implement Process Improvements**
- ❑ Bi-weekly FSS Performance Telecoms with Plant Managers**
- ❑ Tiger Teams Deployed**
 - Teams Have Currently Visited 20 FSS Facilities**
 - 3 Additional Sites Scheduled Nov 28-Dec 2**
 - Initial Review and Follow-up Completed in 11 Sites**
 - All Sites Will be Reviewed by Tiger Team**

FSS Tiger Teams:

□ Operational Improvement Opportunities

- Staging (FIFO)
- Mail Flow
- Mail Prep

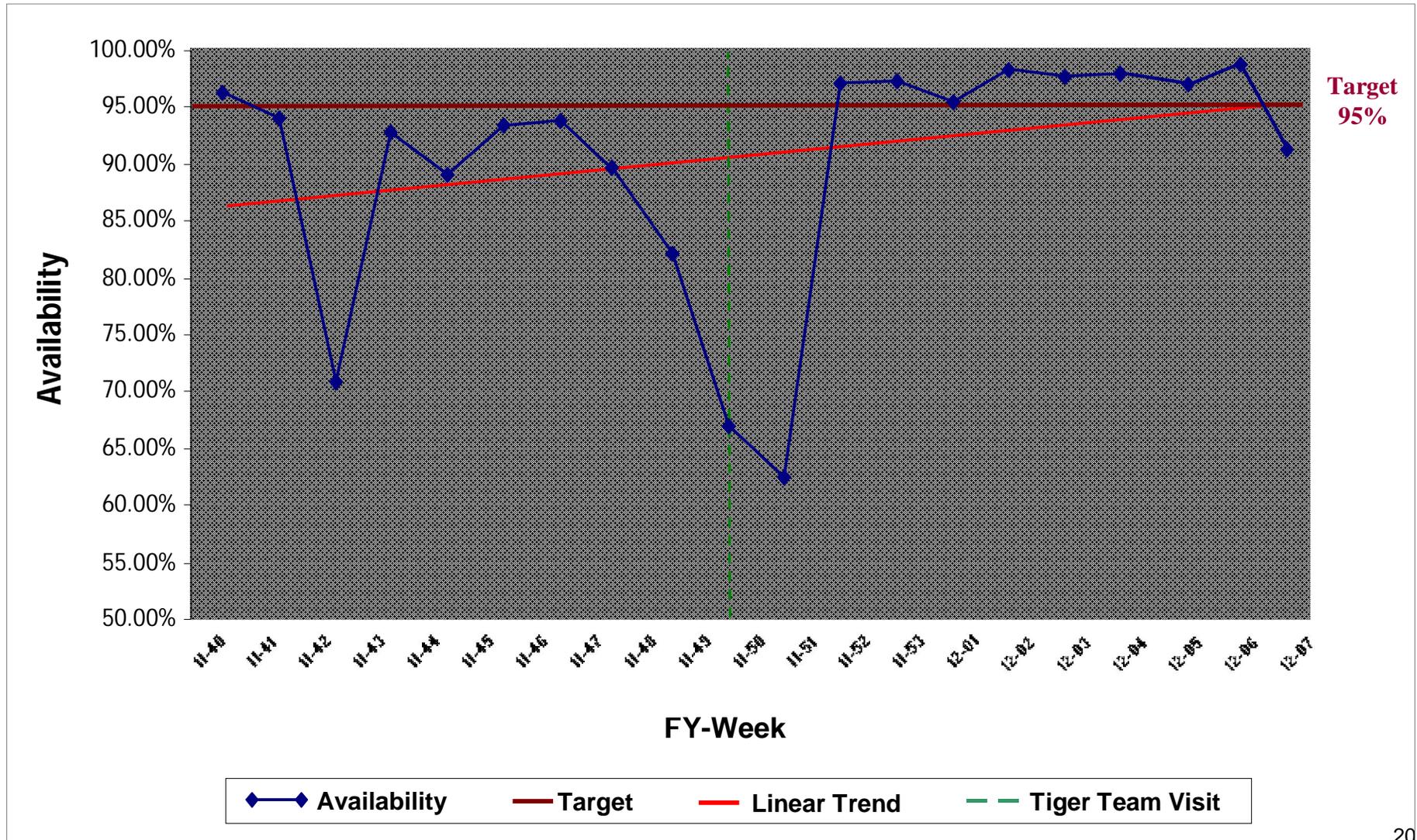
□ Maintenance Improvement Opportunities

- Machine Availability
- Mean Time Between Failure

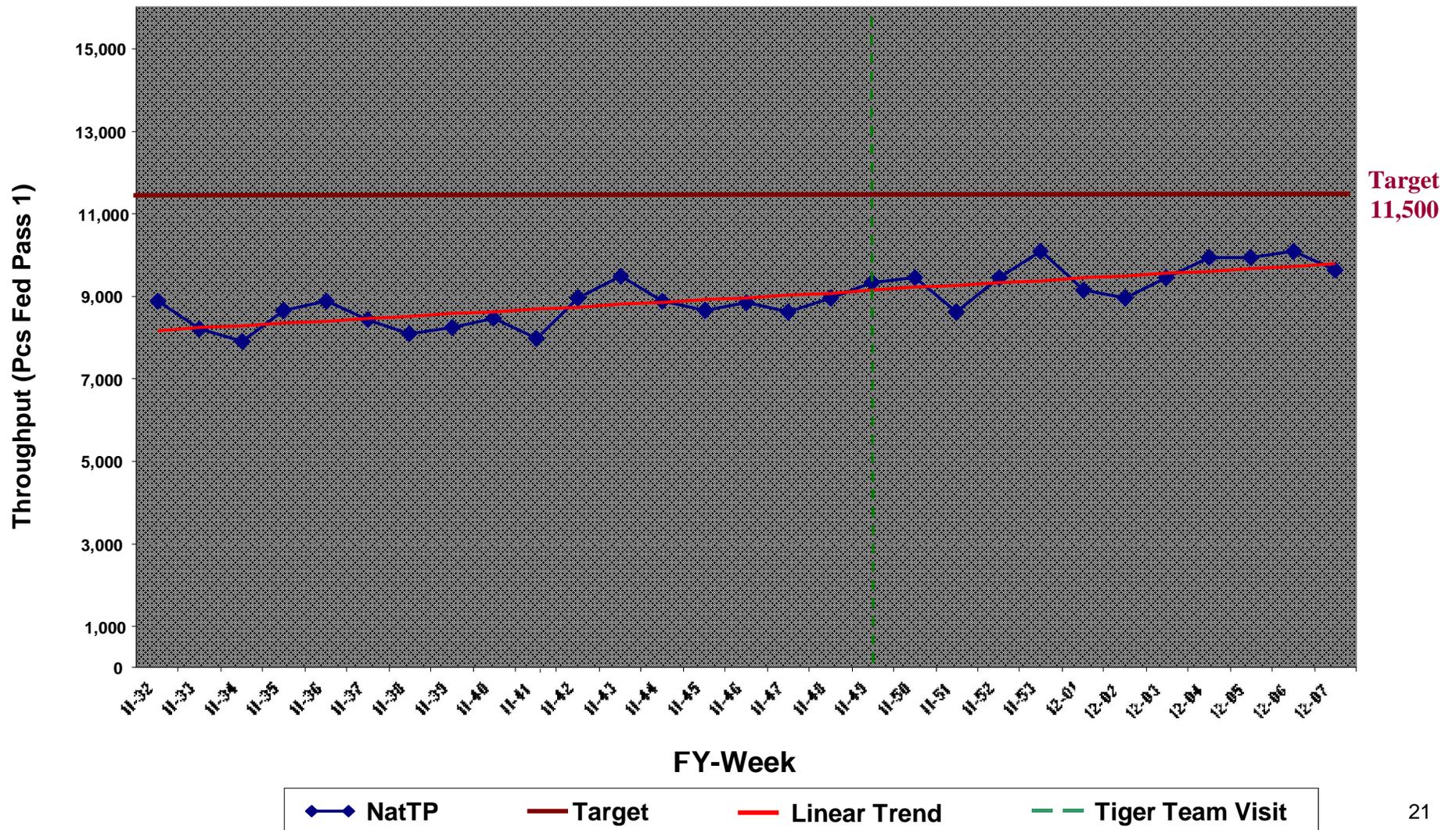
FSS Tiger Team Results:

- ❑ Improved FSS Availability**
- ❑ Improved FSS Thru-put**
- ❑ Increased FSS Volumes**

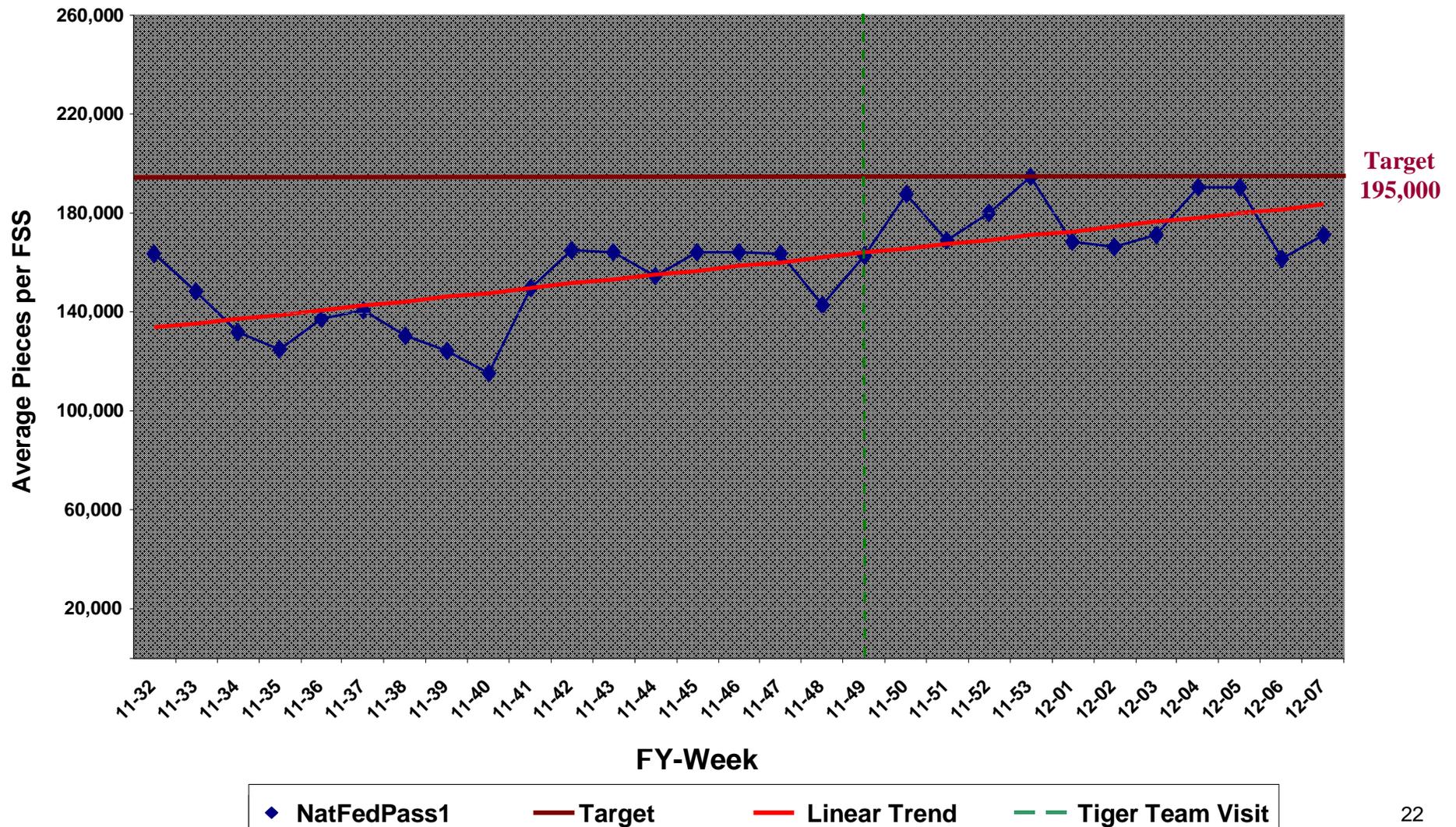
Greensboro NC P&DC Machine Availability



Greensboro NC P&DC Throughput



Greensboro NC P&DC 1st Pass Average Daily Volume Fed

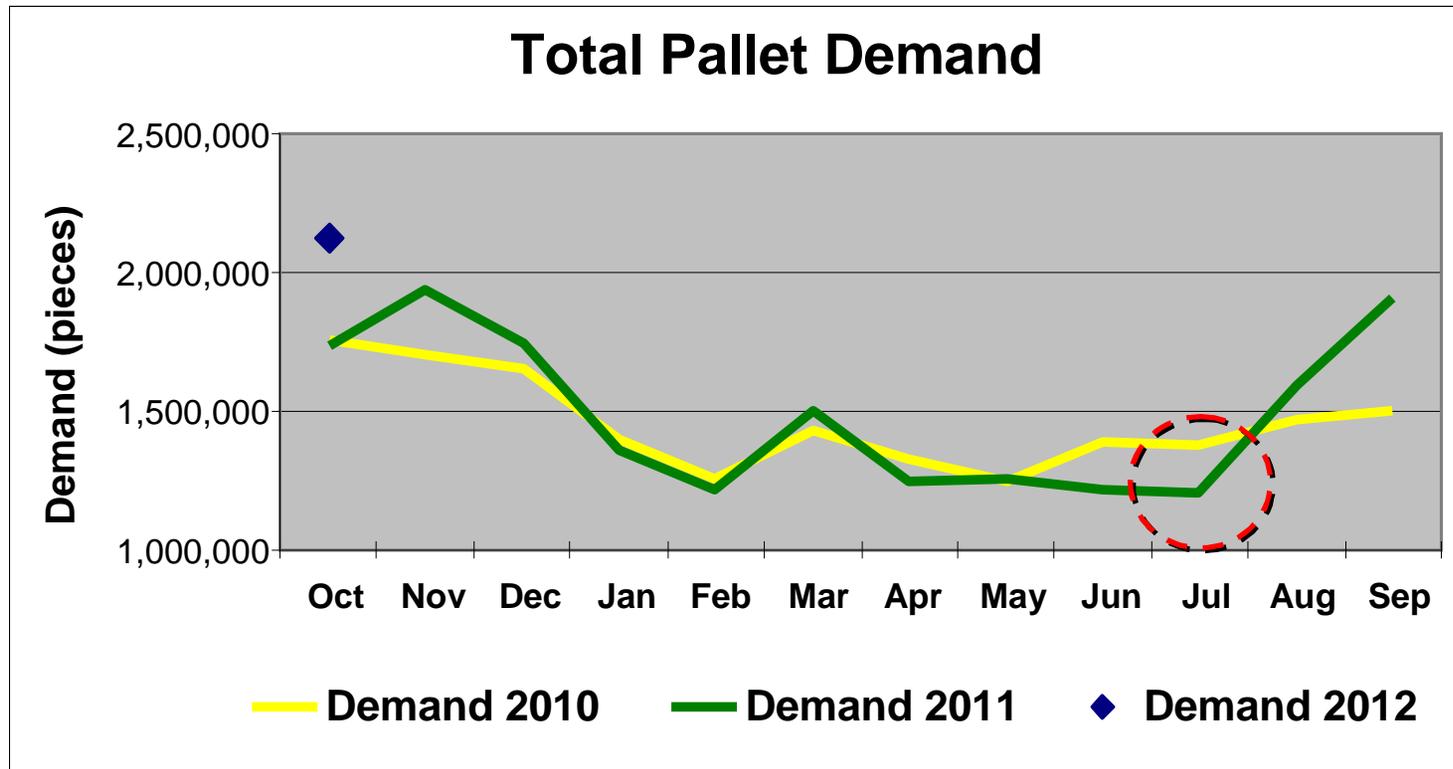


Going Forward:

- ❑ **Continued On-site Support to FSS Facilities**
 - All 47 Sites to be Reviewed by Tiger Teams
- ❑ **Lean Six Sigma Replication – Best Methods**
 - Staging – Mail Flow – Mail Prep
- ❑ **Periodical Standard Operating Procedure Compliance**
 - Proper Identification of Service Commitment Upon Entry at Postal Facilities
- ❑ **Refining Mail Makeup**
 - FSS Facility and Schemed Pallets
 - FSS Labeling Lists

Mail Transport Equipment (MTE)

- Demand Increased Quickly and Significantly



- FY11 Demand at SPLY in July and 4-Year High in Sept
- FY12 October 23% higher than SPLY
 - Other MTE Showing Similar Trends

Challenge

❑ **Difficult to Rapidly Increase Inventory**

- Supplier Requirements
 - Lead Time
- Difficulty in Compiling an Accurate Assessment from the Industry
- Lack of Reliable Forecasting Model
- SPLY Funding

❑ **How Do We Collaboratively Fix This?**

Purchasing

- **Accelerated purchase of MTE above planned levels**
 - **Pallets**
 - Accelerating Q2 planned purchases (290K)
 - Purchasing 500k additional wood slat pallets to help meet demand (deliveries through end of November)
 - **Flat Tubs**
 - Receipt of new purchases to date (237k)
 - 1.2M annual buy accelerated to April
 - **Trays**
 - Accelerate Q2 planned purchase for EMM trays (704k)

Management Actions

- ❑ Monitoring MTE conditions daily & shifting excess to deficit areas**
- ❑ Conducting clean sweep roundups at post offices / stations**
- ❑ Monitoring MTEESC to align flow and distribution**
- ❑ Expanding hours of operation at the MTEESC**
- ❑ Authorized alternate container list for all BME to administer exceptions and establish an escalation process for deficiencies**
- ❑ Inspection Service – Campaign to reduce theft of recyclable materials**

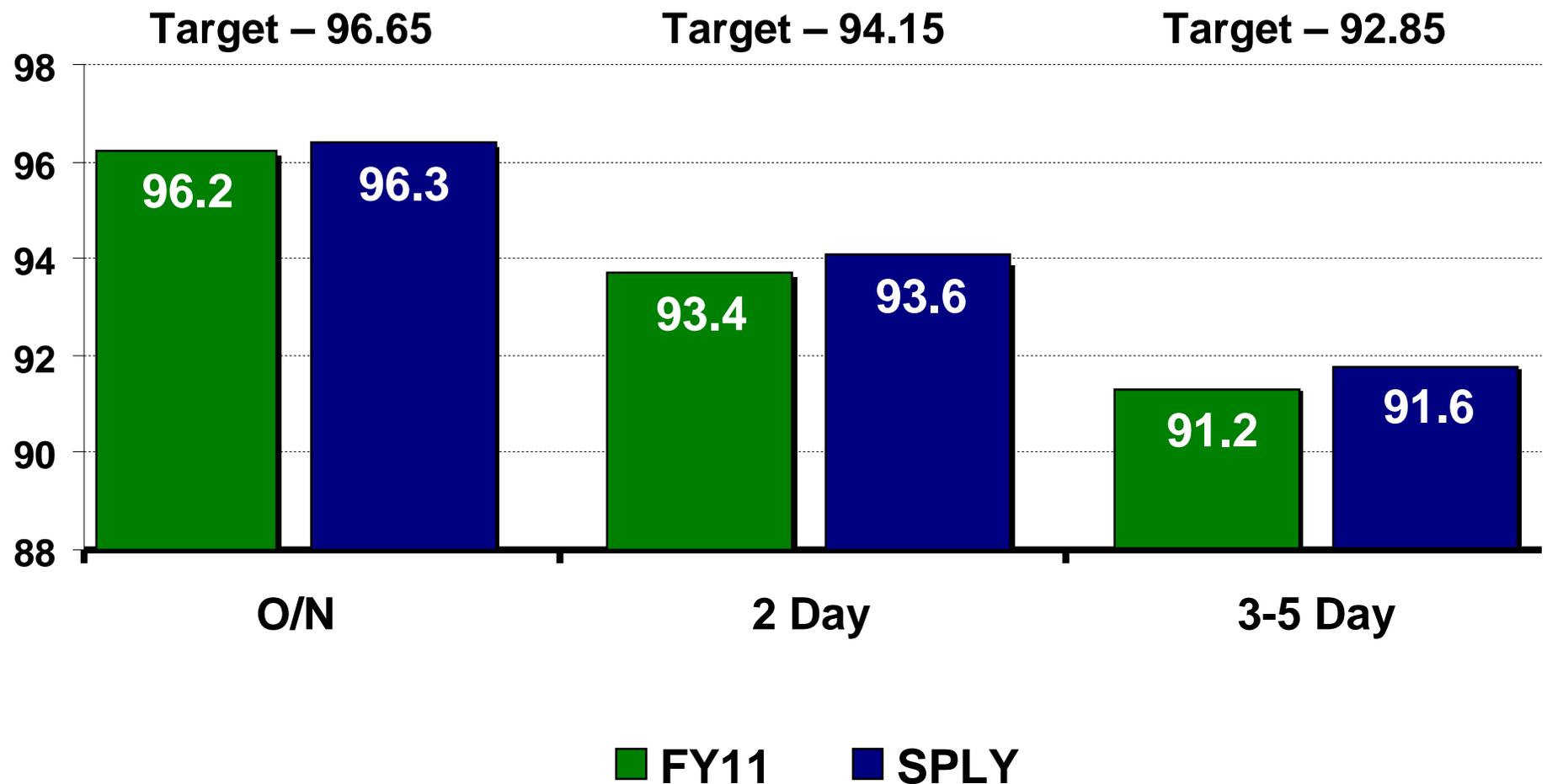
Going Forward

- **Develop a system / process to both forecast demand and track end to end flow of MTE.**
 - **Provide greater visibility**
 - **Improve flow**
 - **Eliminate bottlenecks**
 - **Increase speed of response**
 - **Eliminate leakage**

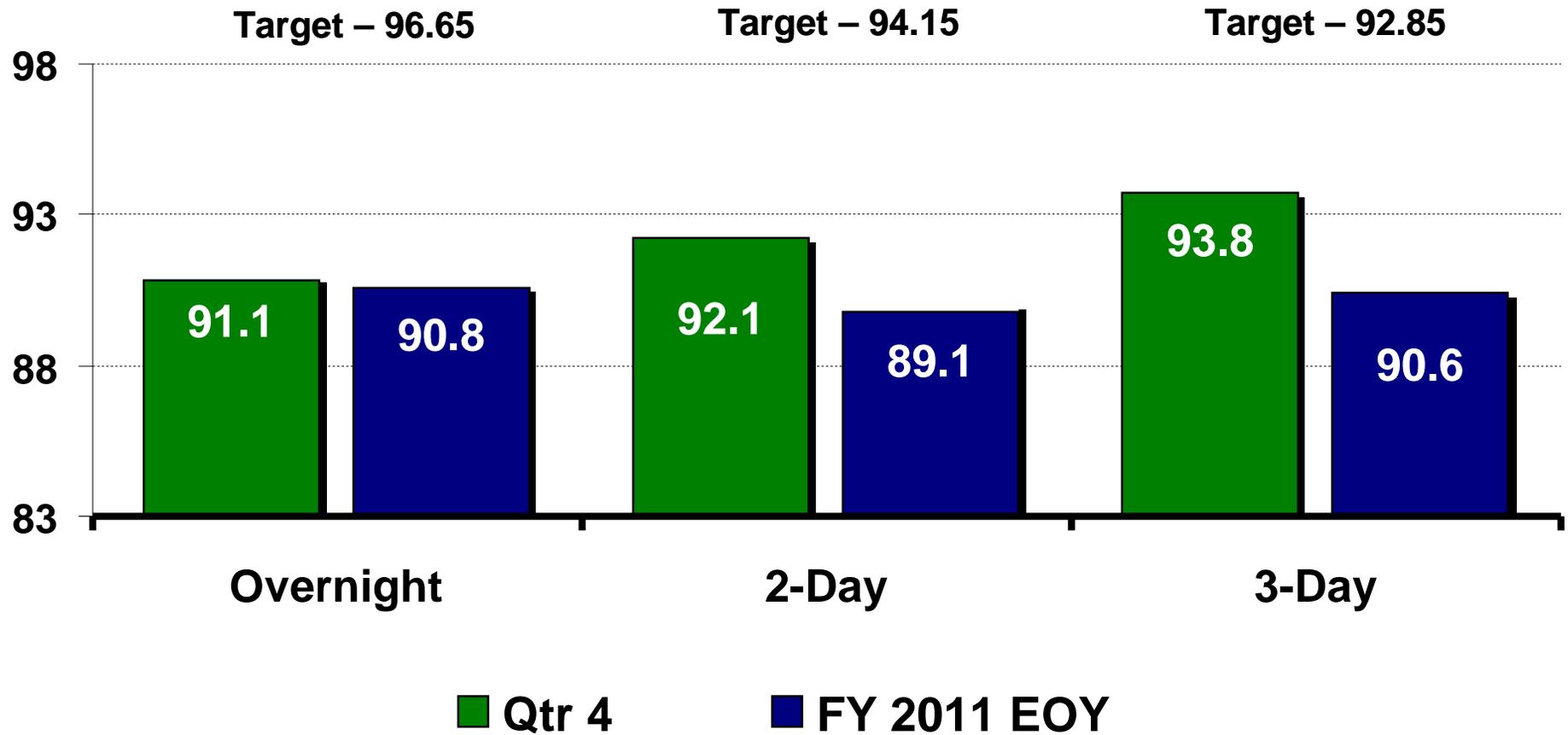
- ❑ Air cargo capacity 17% increase over SPLY**
- ❑ Increased package processing capacity – 186 Automated Package and Bundle Sorter retrofits**
- ❑ Operational constraints addressed in plan based on 2010 post peak reviews**
- ❑ Ongoing meetings with Sales to review mailer projections**
- ❑ Operational requirements aligned with mailer projections**
- ❑ Increased HQ & Area presence in the field**

Service

Single Piece First Class



Presort First-Class



- ❑ **First Class Single Piece**

- Reduce Variation

- ❑ **First Class Presort**

- Positive Trends

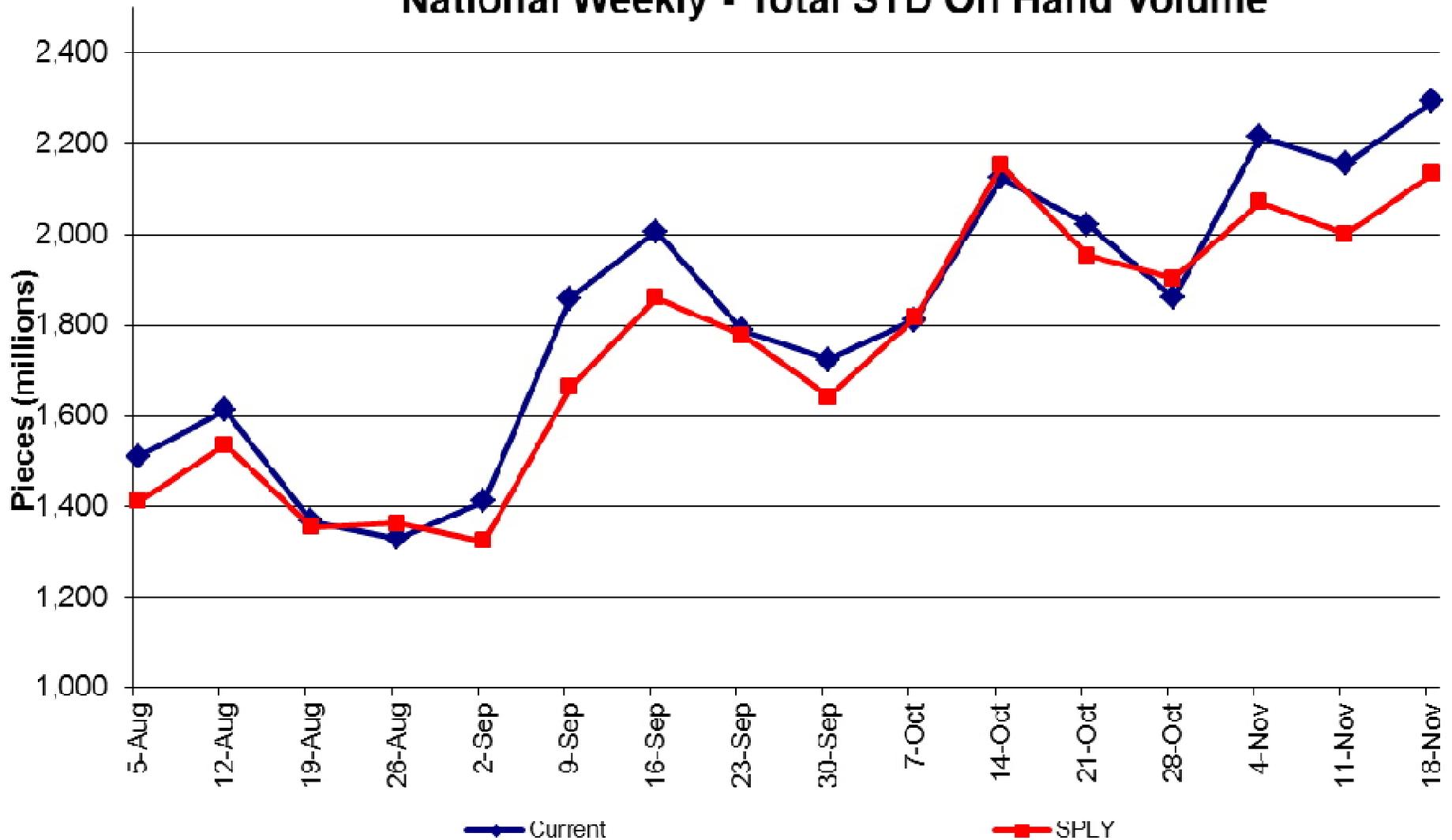
- ❑ **Standard and Periodicals**

- Drive Performance Levels Similar to First Class Mail

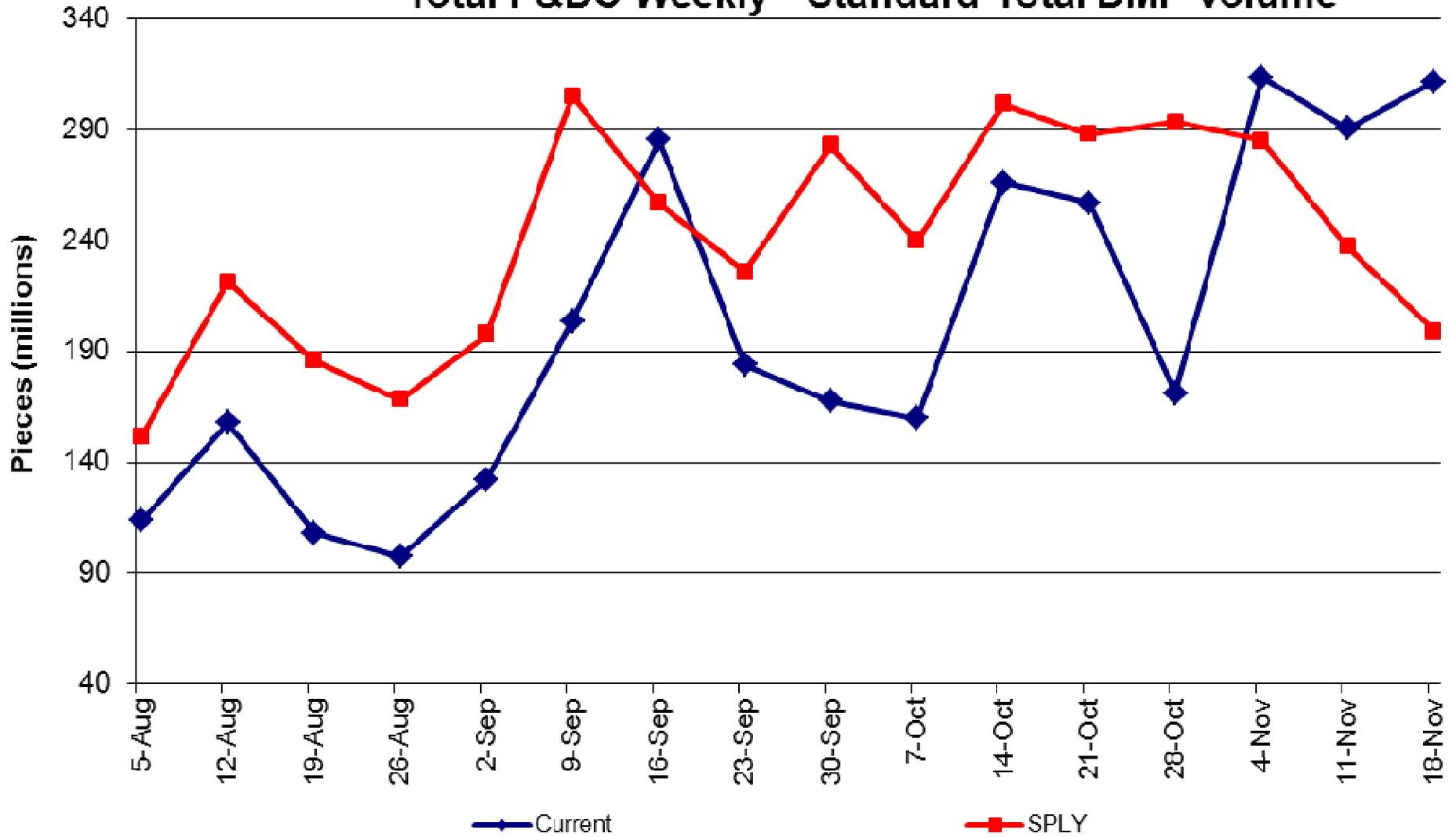
Service Improvement Focus

- 24 Hour Clock Execution**
- Reduce Variation**
- Quality Focus**
- Leverage Service Diagnostic Tools**
- Network Management**
- Managing the Inventories**

National Weekly - Total STD On Hand Volume



Total P&DC Weekly - Standard Total DMF Volume



□ **Daily Review of Inventories**

- Thresholds established by facility
- Facilities exceeding thresholds require immediate action plans and timeline to compliance

□ **Weekly Area Service / On-Hand Condition Reviews**

□ **Bi-weekly Telecoms with Area Managers In-Plant Support**

- Service Performance Analysis
- Surface Visibility scanning compliance

□ **Network Distribution Centers (NDC)**

- Service performance reviews
- Operational audits

Closing the Gaps

- ❑ **Re-establish the Service Improvement Team (SIT)**
 - Evaluate and resolve systemic issues
 - Utilize cross-functional team to analyze service requests and drive continuous improvement
 - Perform data diagnostic analytics
- ❑ **Establish area focus groups**
- ❑ **Ensure clear path for escalating and resolving issues**
- ❑ **Conducting ongoing customer outreach**
 - Capture proactive input for implementation planning

Summary

- ❑ **Rate of Change Will Accelerate in FY 2012 and Beyond**
 - Rightsizing Infrastructure to Meet Changing Customer Demand

- ❑ **Our Commitment**
 - Industry Engagement
 - Effective Use of Data and Diagnostic Tools to Drive Continuous Improvement
 - Predictable Service

Questions