



UNITED STATES
POSTAL SERVICE®

Focus Group Meeting

October 13, 2016
San Diego, California

Pacific Area Update

- Adapting to Change
- Key 2016 Elections
- A Closer Look: Complement
- Mail Volume Growth
- Machine Addition & Process Capability
- Moving Forward: Fall Mailing to Peak Season





Adapting to a Changing Marketplace



Balanced Approach



**Operational
Efficiency**



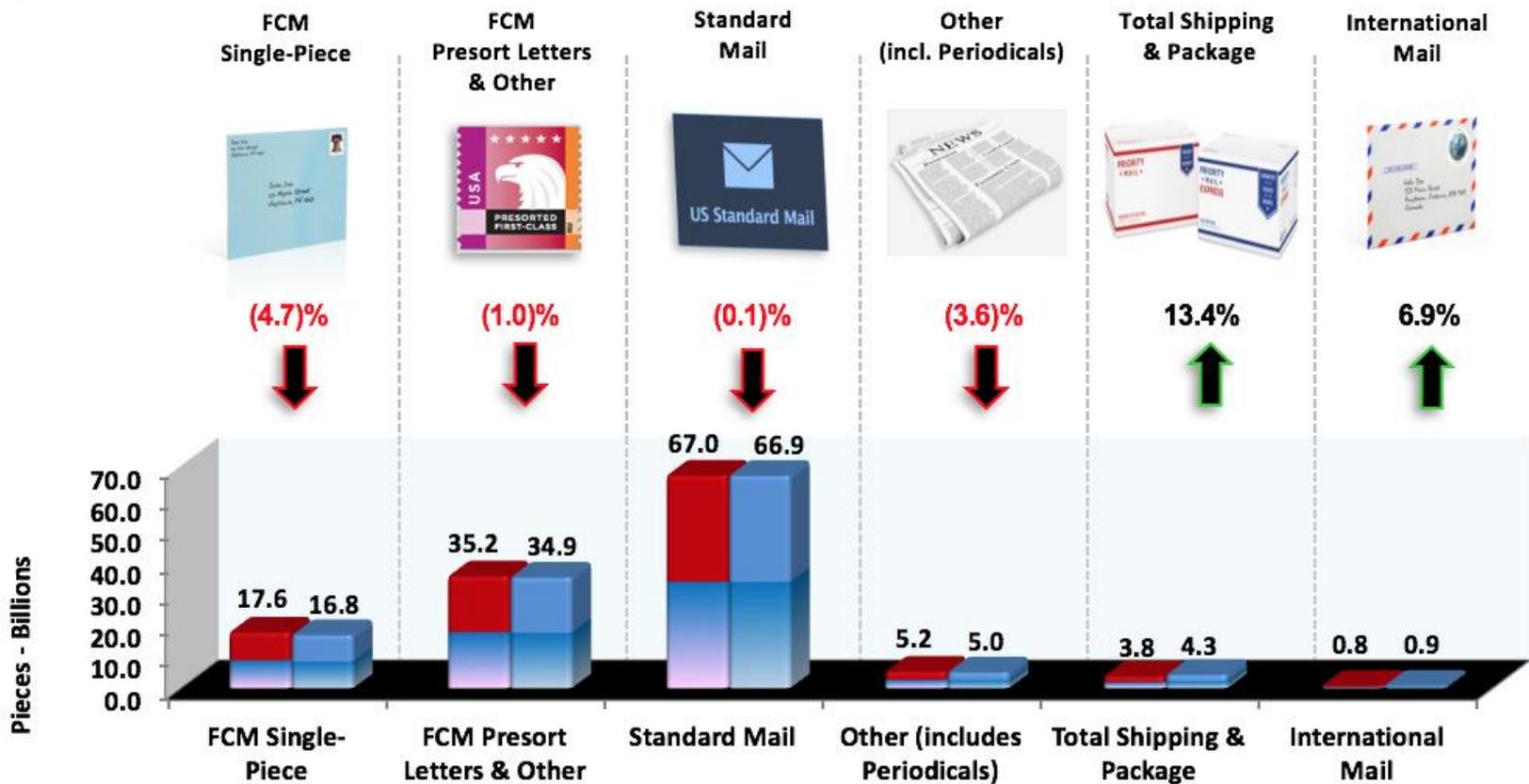
Growth



**Favorable
Outcome of
PRC 10-year
Review**



Volume: FY2016 July YTD vs. SPLY



FY2016 July YTD has 1.5 less retail days as compared to FY2015.



Shipping & Package Volume: FY2016 July YTD vs. SPLY

FY2015
3.8B

↑ **0.5B**

FY2016
4.3B

**Priority Mail
Express**



(8.2)%



**First-Class
Package Service**



8.8%



**Priority Mail
& Standard Post**



3.6%



**Parcel Select
& Return
& Std. Parcels**



23.9%



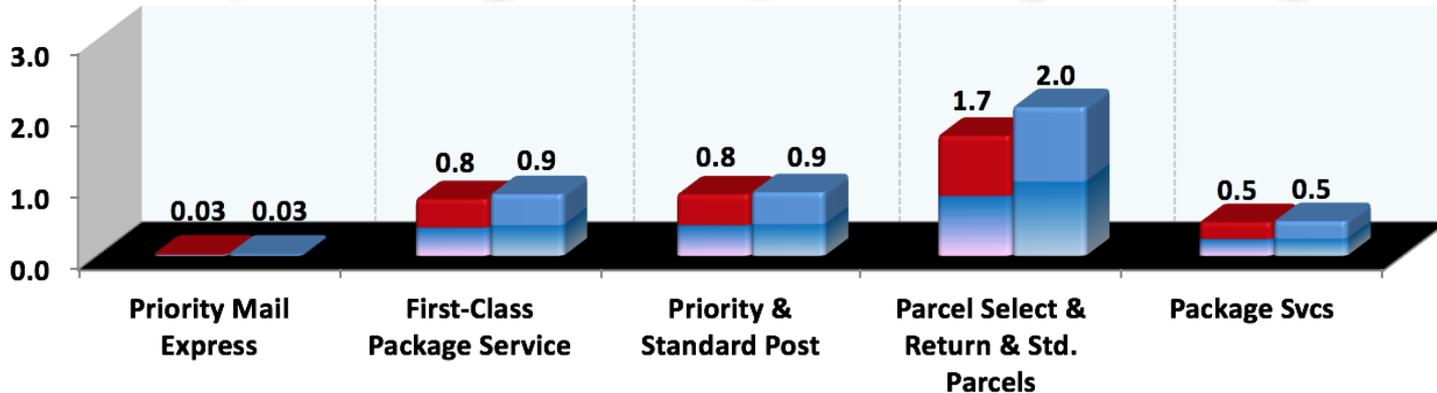
**Package
Services**



3.1%



Pieces - Billions



FY2016 July YTD has 1.5 less retail days as compared to FY2015.



July 2016 YTD (10 Months)

July YTD (10 months) (Billions)	Prelim 2016	FY 2015
Revenue (Excluding Temporary Exigent Surcharge) ^{1, 4}	\$ 58.1	\$ 56.1
Temporary Exigent Surcharge ²	<u>1.1</u>	<u>1.8</u>
Total Revenue	59.2	57.9
Controllable Expenses ^{3, 4}	<u>58.1</u>	<u>56.7</u>
Controllable Income (Loss) ^{1, 2, 3, 4}	1.1	1.2
Retiree Health Benefits Pre-Funding	(4.8)	(4.7)
Workers' Comp. Fair Value Adj.	(1.4)	(0.6)
Workers' Comp. Other Non-Cash Adj.	-	0.4
FERS Unfunded Liability Amortization	(0.2)	-
Change in Accounting Estimate ⁵	<u>1.1</u>	<u>-</u>
Net Income (Loss) ⁴	<u>\$ (4.2)</u>	<u>\$ (3.7)</u>

1 - Change in Accounting Estimate is excluded from Total Revenue.

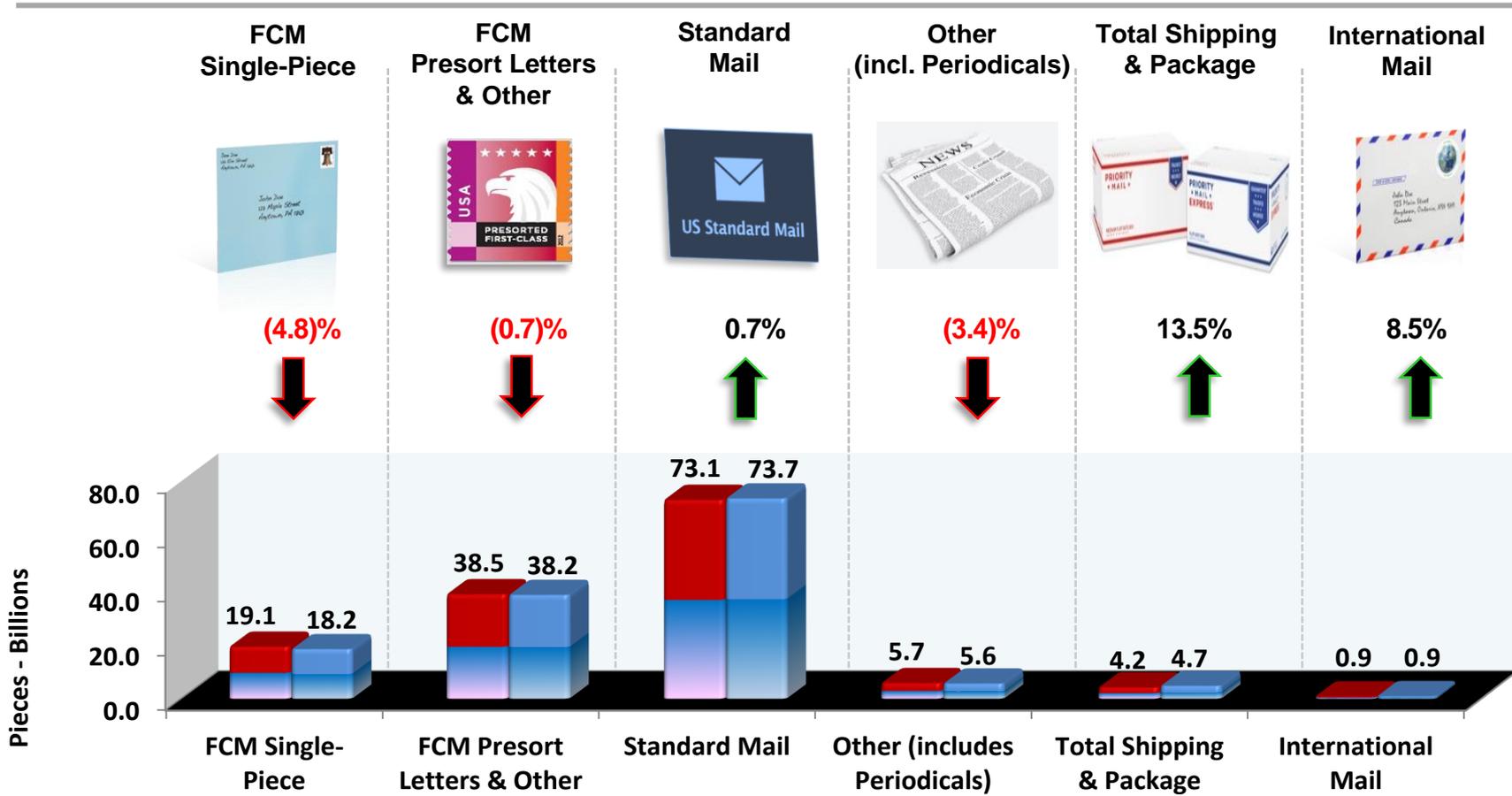
2 - Temporary exigent surcharge expired April 10, 2016. Estimated exigent revenue earned in April 2016 was immaterial.

3 - Before RHB pre-funding, non-cash adjustments to workers' compensation liabilities and FERS unfunded liability amortization, which are excluded from controllable expenses.

4 - July YTD FY2016 has 1.5 less retail days and same number of delivery days as compared to FY2015.

5 - Newly available data on prepaid postage resulted in a \$1.1B decrease in the liability for deferred revenue - prepaid postage and a corresponding increase in revenue.

Preliminary FY2016 August YTD vs. SPLY

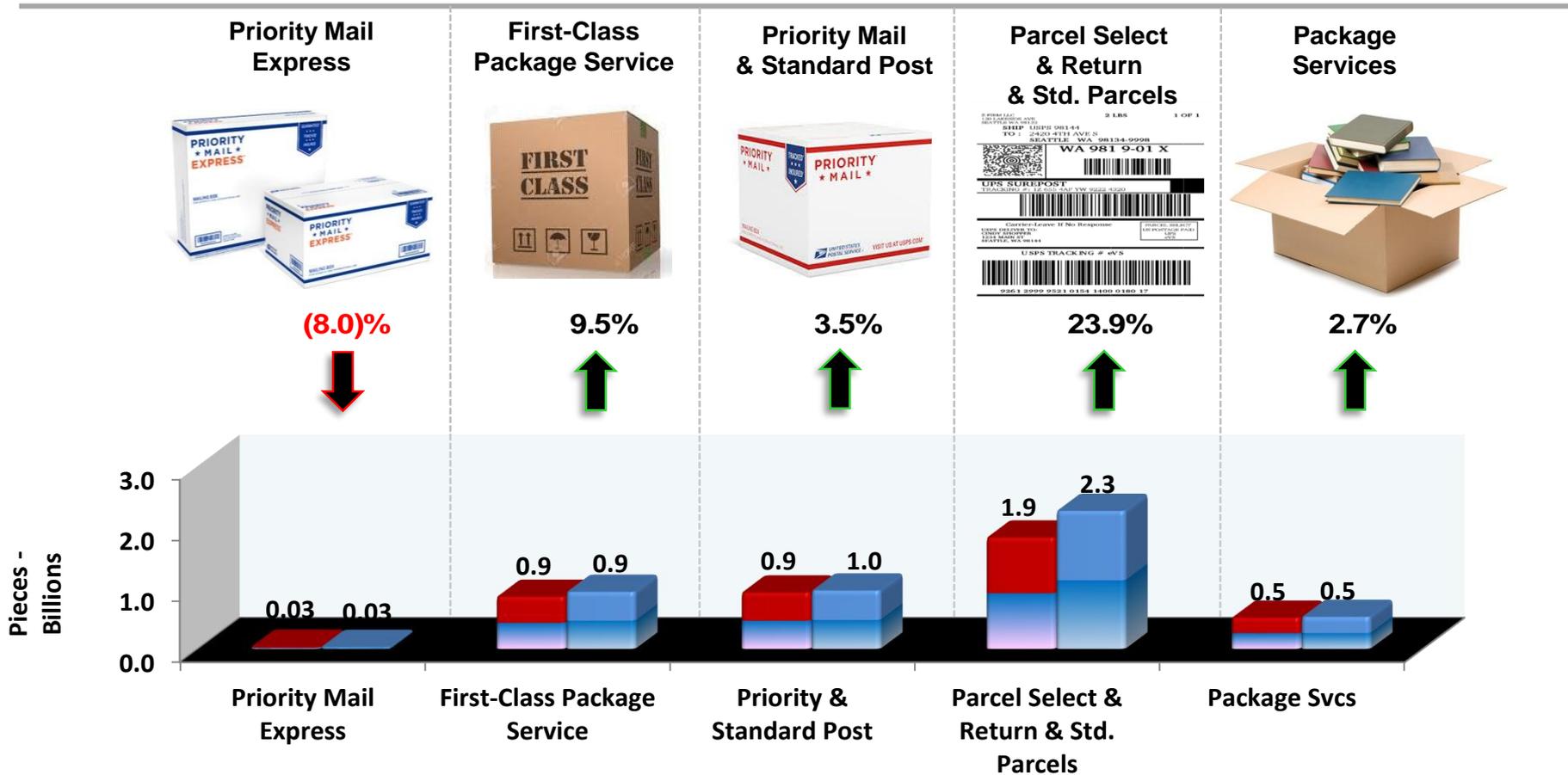


FY2016 August YTD has 0.25 more retail days as compared to FY2015.

FY2015
4.2B

↑ 0.5B

FY2016
4.7B



FY2016 August YTD has 0.25 more retail days as compared to FY2015.

Future-Ready

Deliver
World-Class
Customer
Experience

Equip, Engage
& Empower
USPS Employees

Innovate to
Deliver Value

Invest in
Our Future

Easier to
do Business
with USPS



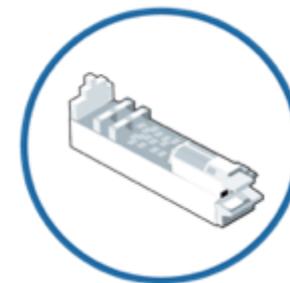
Employee
Empowerment
Tools



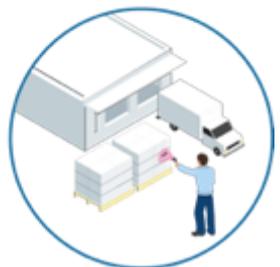
Informed
Visibility



Infrastructure



Premier Experience
for Business Mailers



Investing In
Our Employees



Informed
Delivery



Digitally Integrated
Future of Delivery



The Power of Political Mail

\$12+
BILLION

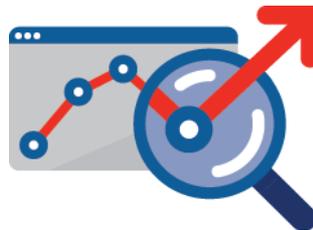
ESTIMATED
ELECTION SPEND
FOR **2016**

\$1B
GOAL

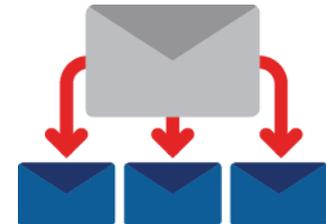
USPS GOAL
FOR **2016**
ELECTIONS



Media
Channel
Integration



Deliver Right Message
to Right Person
at Right Time



Personalized
Mail Pieces
To Grab Voters'
Attention

Political Mail

POLITICAL + DIRECT MAIL

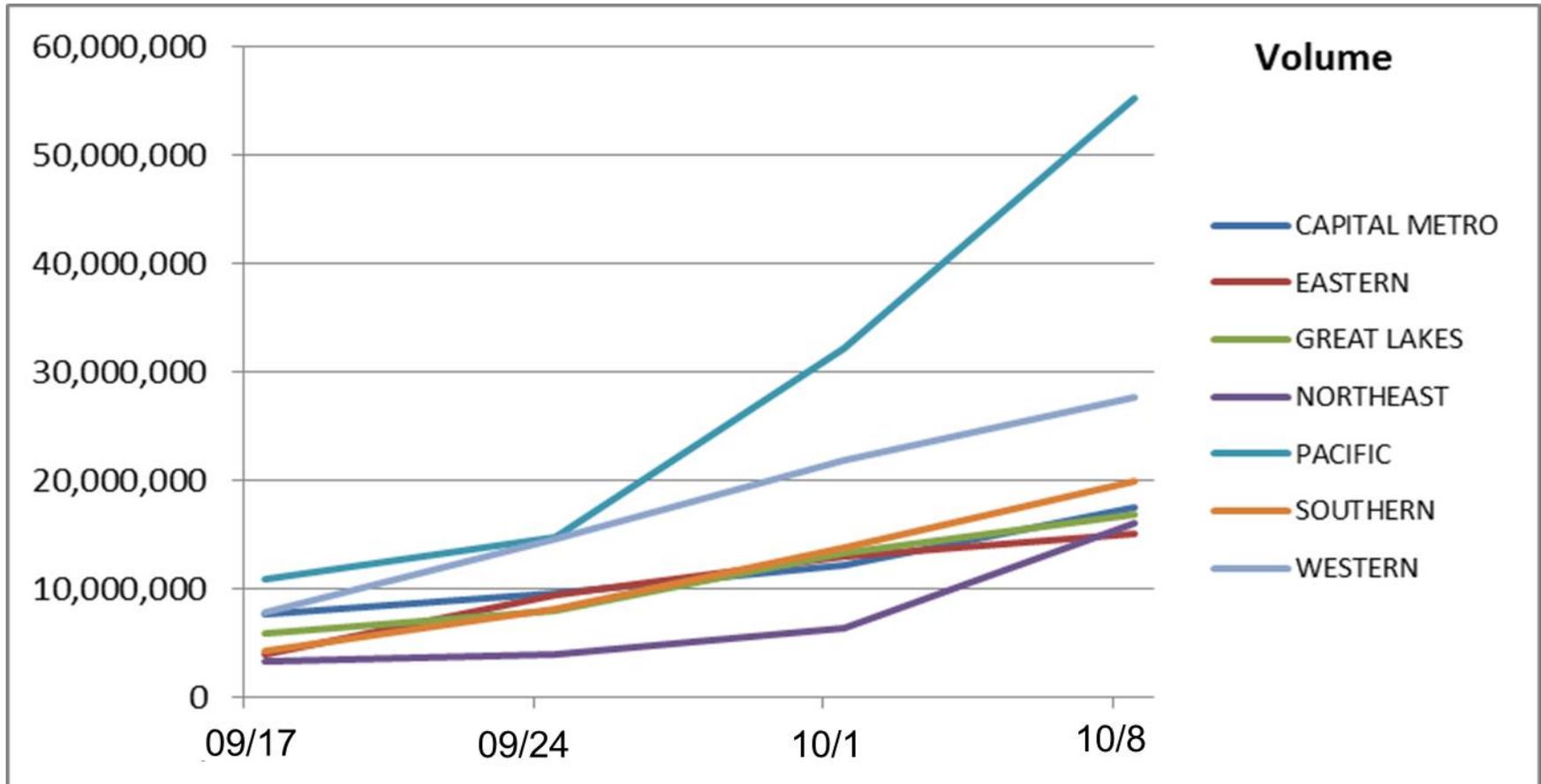
Take the path that leads away from the political noise and toward your voters.



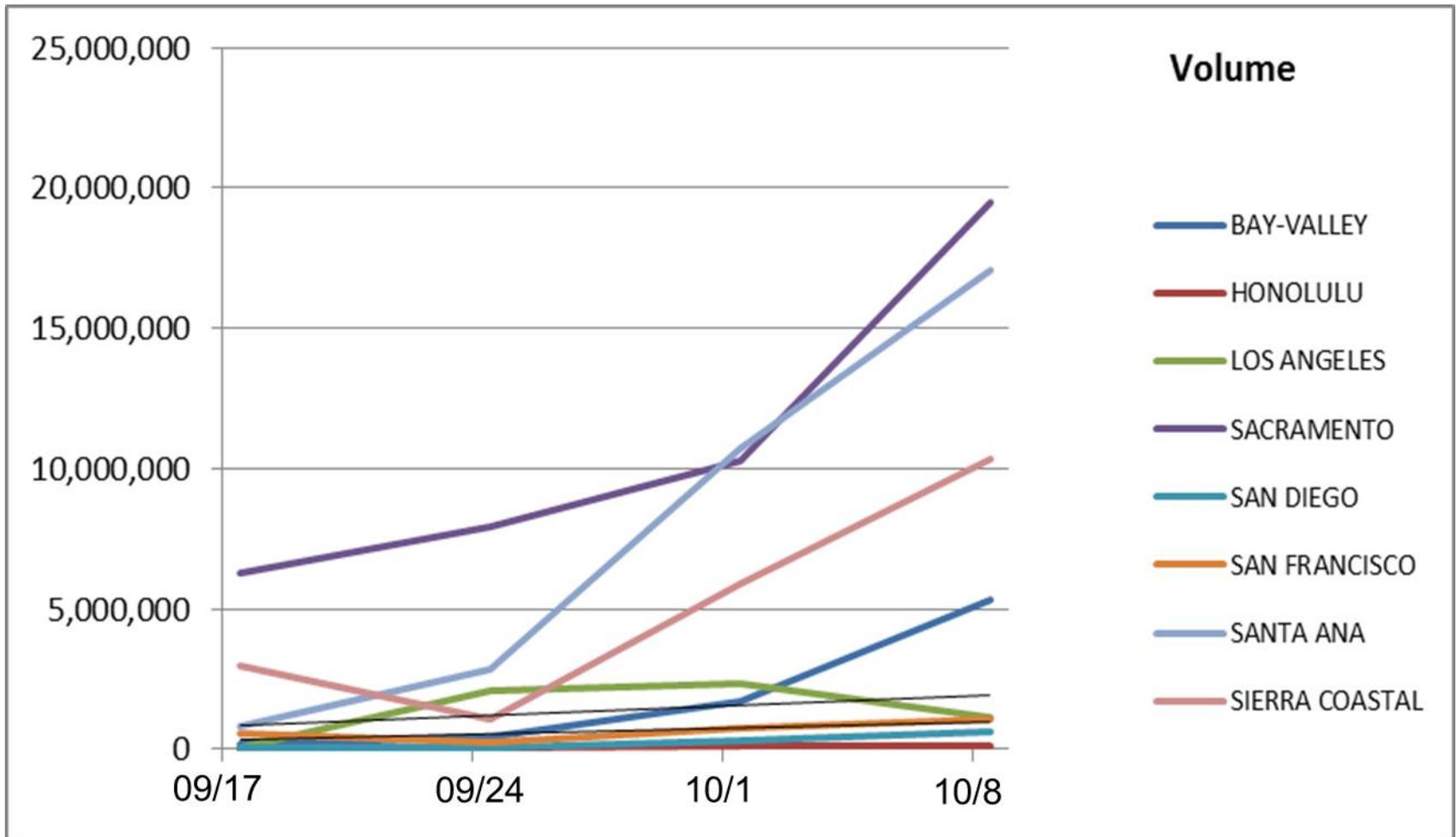
The Power of Political Mail

Direct mail can be effective, resilient and digitally enabled every step of the way.

Political Mail Weekly 4-Week Trend



Pacific Area Districts Political Mail 4-Week Trend



■ U.S. Postal Service

Committed to working with Election Officials and Mail Service Providers to ensure smooth process is in place

- Outreach was conducted to the Register of Voters and their Mail Service Providers early in the Political Mail season
- All Districts and the Area have assigned Political Mail Coordinators to assist mailers with any issues

■ Websites developed to assist the Mailers

- Deliver the Win website [Click here](#) advises mailers how to effectively market Political Mail to Millennials, Generation X and Baby Boomers
- USPS.com website [Click here](#) provides various resources such as an Election mail kit, fact sheet and interactive map listing the Political Mail Coordinator for your area.

The key to success is to mail early in the season and identify your mailings with the correct tags

Recommended Mailing Dates:

	<u>LOCAL</u>	<u>IN STATE</u>	<u>ALL OTHER ZIPS</u>
First-Class Mail	November 3, 2016	November 1, 2016	October 31, 2016
Standard Mail	October 31, 2016	October 27, 2016	October 27, 2016

Green and Red Tags Identify Election Mail

- Mail Processing Tags (samples)
 - Green Tag 191 > Ballots Only!
 - Red Tag 57 > Political Campaign Mailing

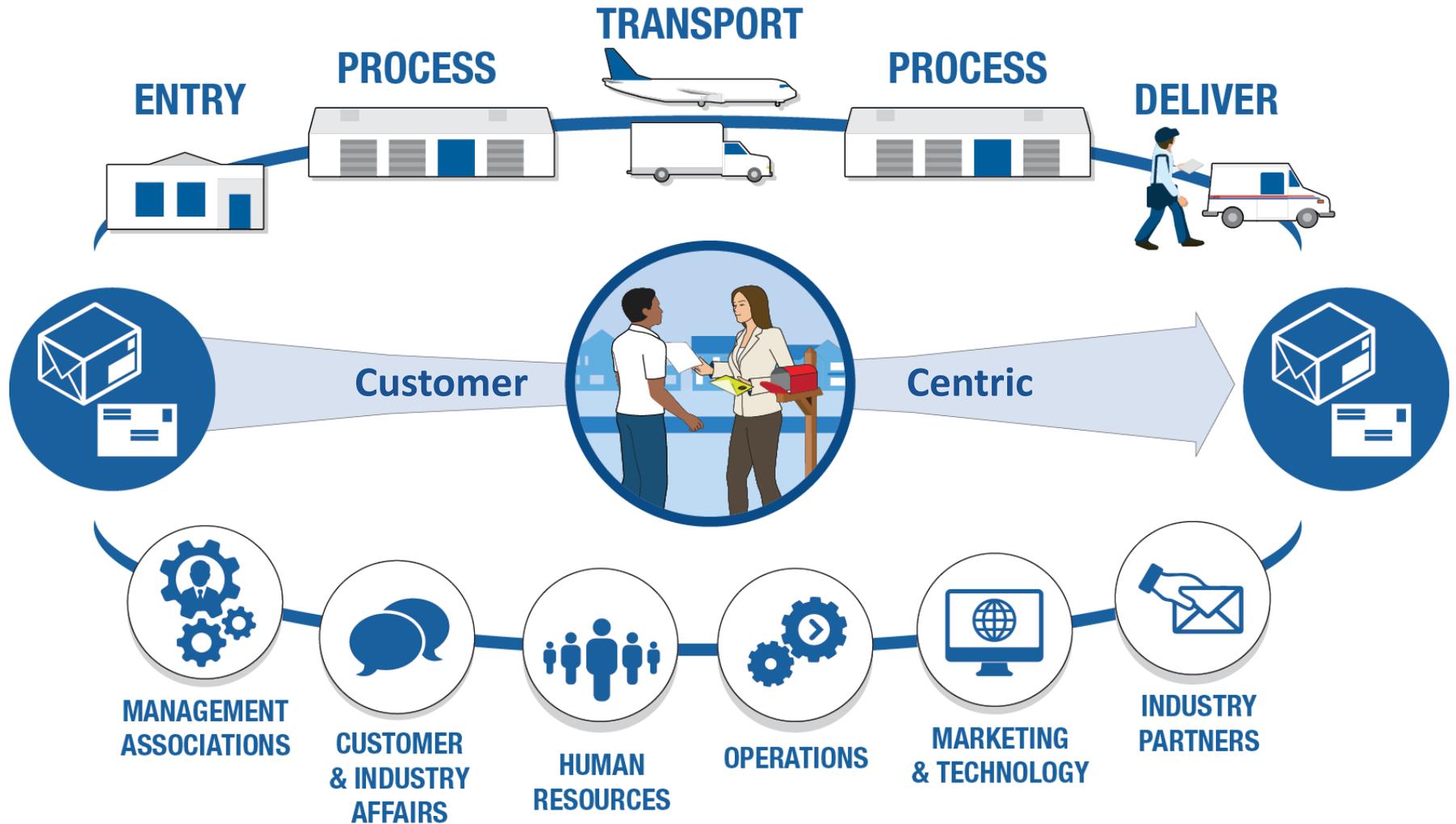


Internal Messaging for Service Consistency

- Service Talks (samples)
 - Field Operational Readiness
 - ▶ Processing & Distribution Centers
 - ▶ Carriers
 - ▶ Postage Due and other Clerks
- Preventative Maintenance Checklists
 - Adjust / Align
 - Replace
- Alerts for service issues
- Ongoing reporting of compliance



We ALL Own the Customer Experience





Streamlined Mail Entry Initiatives



Full Service, eInduction, Seamless Acceptance

- Continued adoption
- Reduced costs
- Increased efficiency
- Improved feedback

Payment Modernization

- Commercial customers securely pay for services using one online account

Premier BMEU as Your New Business Solutions Center

- Mailing tools and resources
- One-stop solution
- Solicit customer feedback

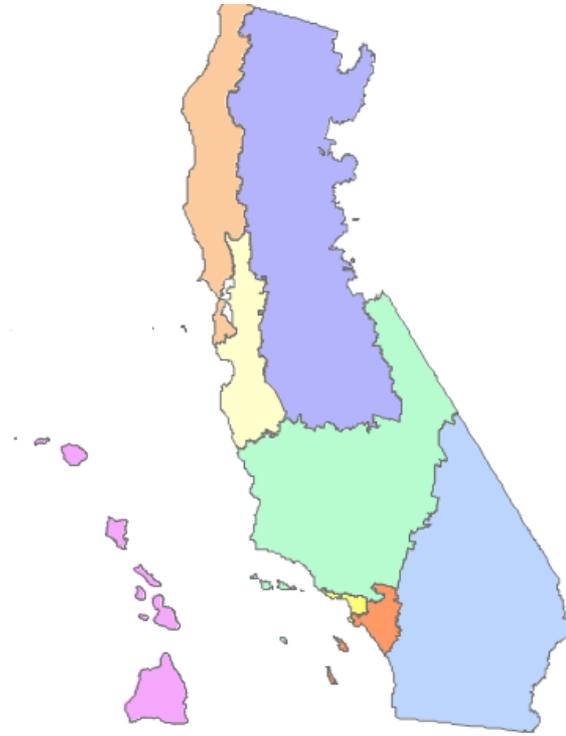
SERVICE
IS
FOUNDATIONAL



KEY
TO
GROWTH



Pacific Area



A Closer Look

Pacific Area

District Leadership



Noemi Luna

San Francisco

940 - 941, 943 - 944,
949, 954 - 955,



Jeffrey Lelevich

Sacramento

936 - 938, 942,
952 - 953, 956 - 960



Jeffrey Day

Bay Valley

939, 945 - 948,
950 - 951



Larry Munoz

Sierra Coastal

910 - 916,
930 - 935



Alfred Santos

Los Angeles

900 - 905,
907 - 908,
962 - 966



James Olson

San Diego

919 - 925



Eduardo Ruiz

Santa Ana

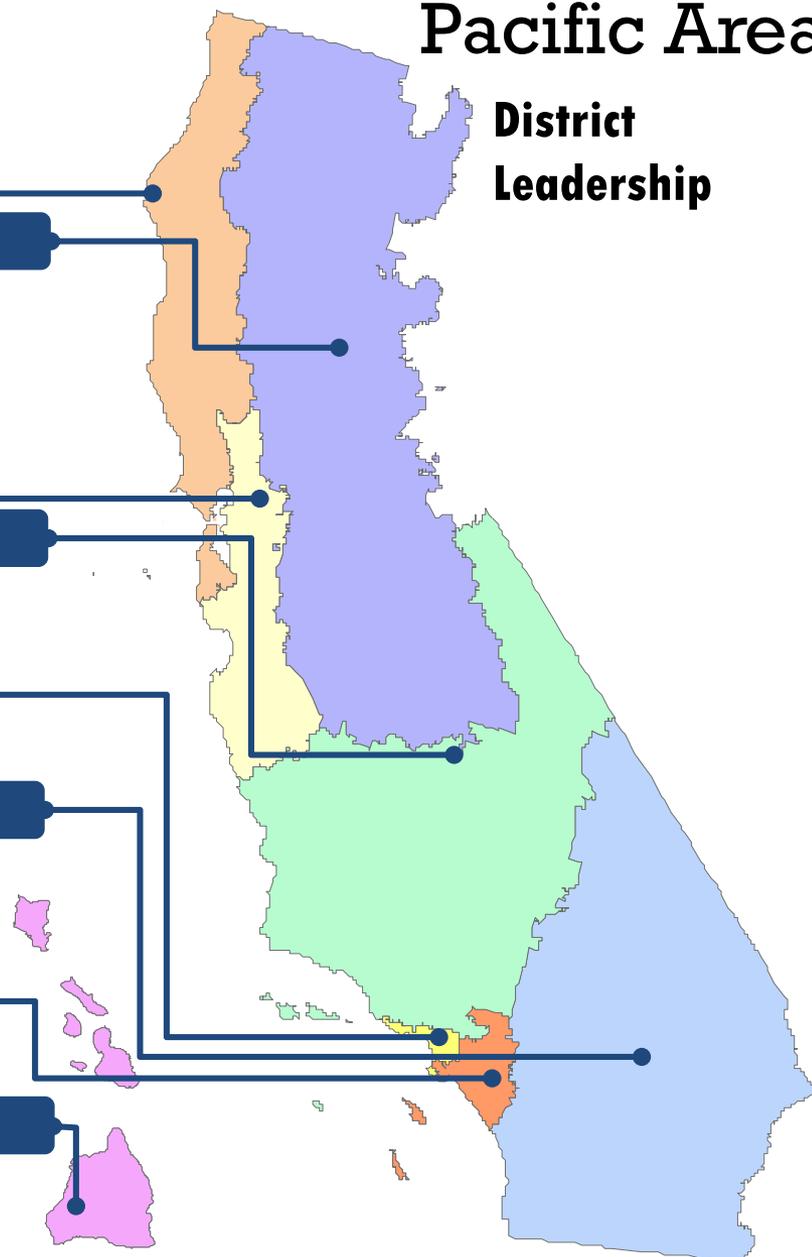
906, 917 - 918,
926 - 928



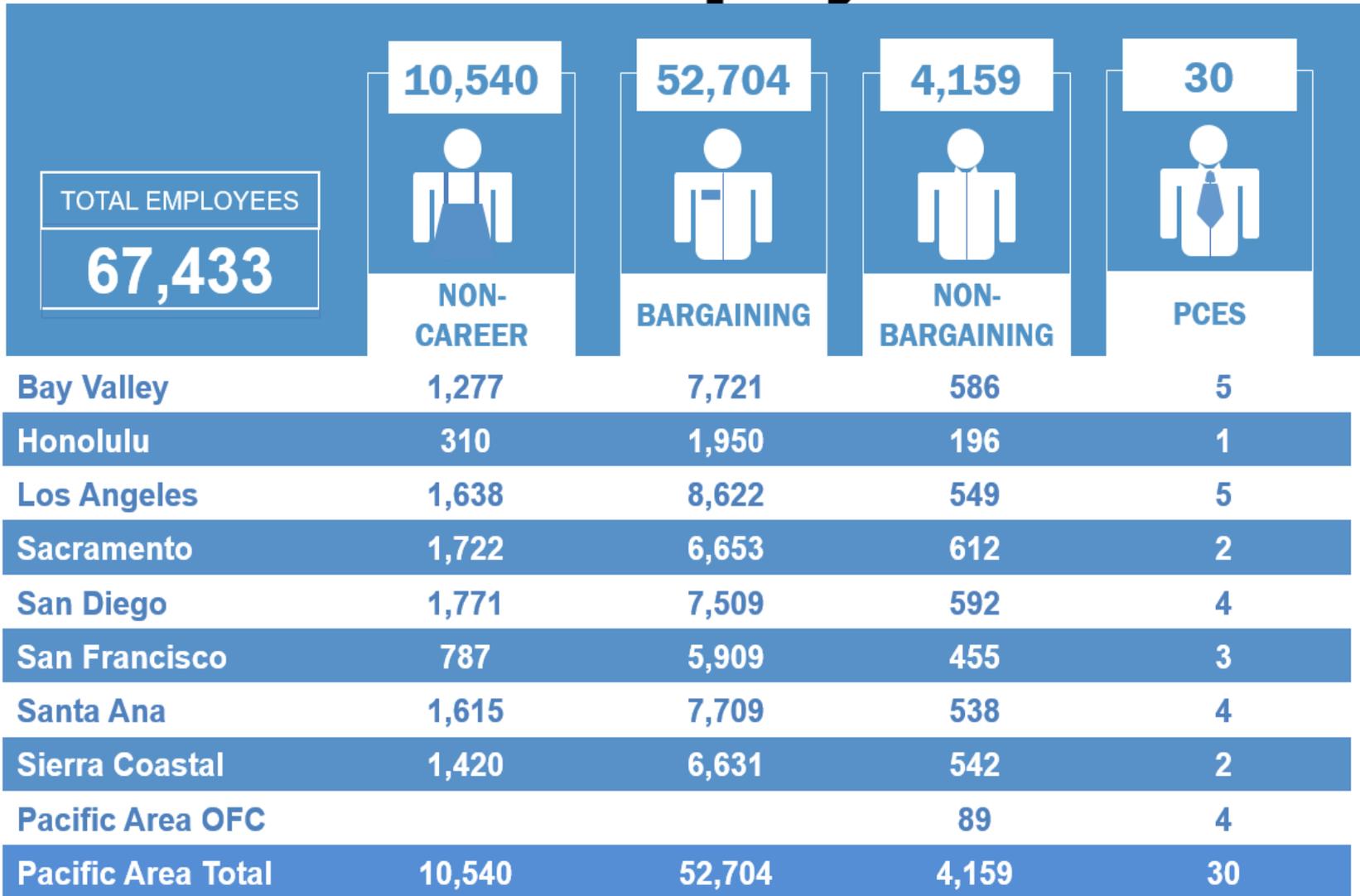
Greg Wolny

Honolulu

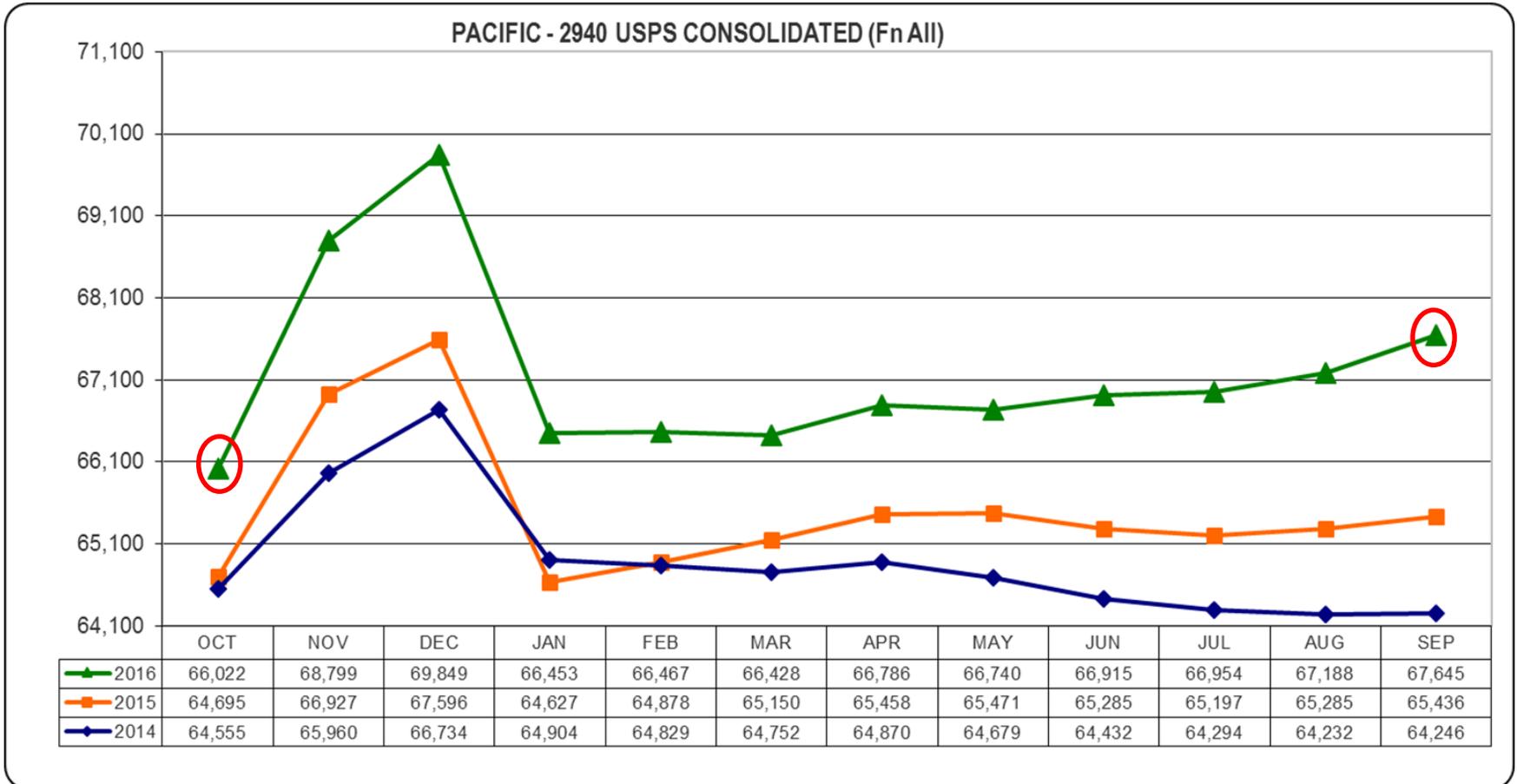
967 - 969



Total Employees

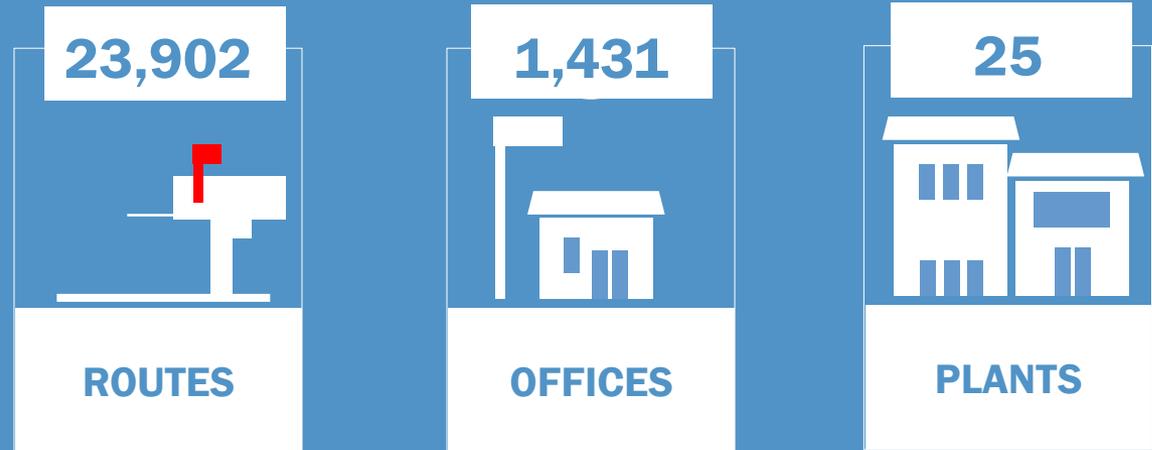


Total Complement



Variance from FY15 YE => 2,209
Variance from prior month => 457

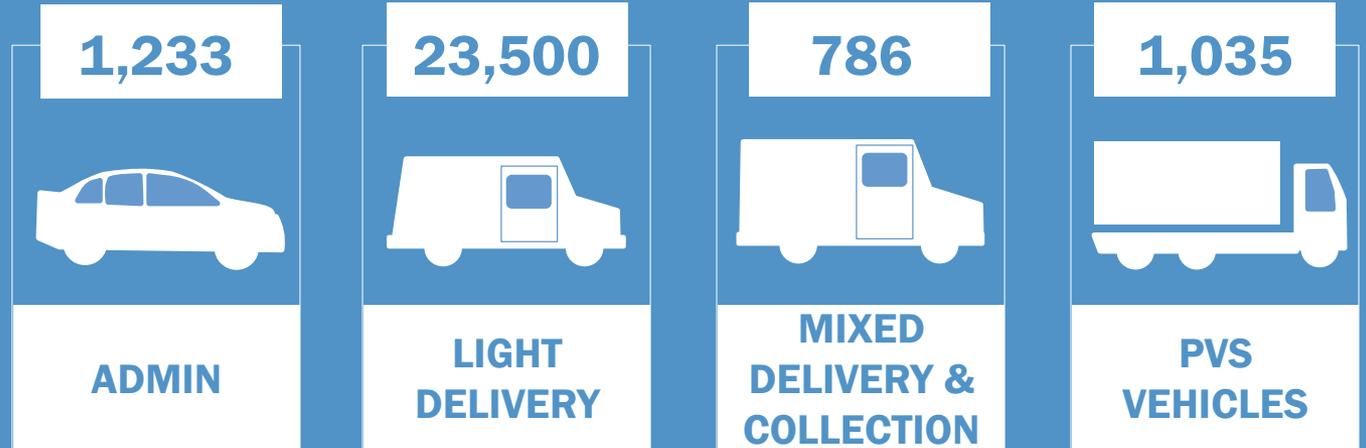
Total Routes, Offices, & Plants



Bay Valley	3,539	137	3
Honolulu	771	109	2
Los Angeles	3,201	123	3
Sacramento	3,465	386	3
San Diego	3,604	187	3
San Francisco	2,452	200	4
Santa Ana	3,562	92	3
Sierra Coastal	3,308	197	4

Total Vehicles

TOTAL VEHICLES
26,554

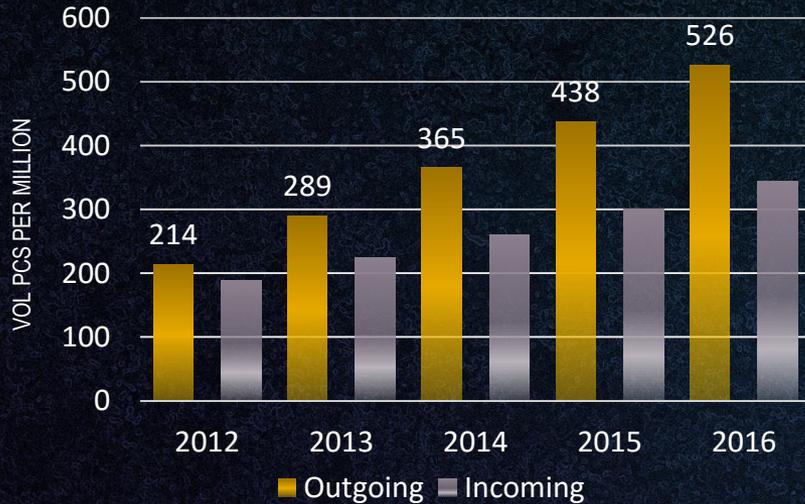


Bay Valley	244	3,475	111	308
Honolulu	32	808	16	14
Los Angeles	151	3,290	178	204
Sacramento	102	3,248	57	125
San Diego	156	3,589	93	145
San Francisco	138	2,135	139	137
Santa Ana	149	3,777	97	86
Sierra Coastal	261	3,178	95	16

Mail Volume Growth and Machine Addition & Process Capability

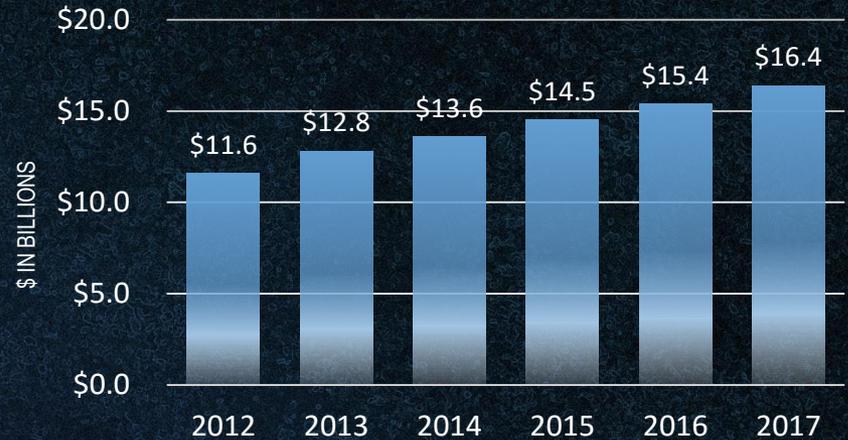
Package Growth

PRIORITY & FIRST-CLASS MAIL PACKAGE GROWTH



2016 VOLUME PROJECTIONS SOURCE EDW & WEBMODS

SHIPPING / PACKAGES INCREASE: \$4.8B FROM 2012 - 2017



Gain of \$5 billion of Shipping/Package revenue provides \$0.9 billion of profit margin (at 18%) in 2017.
2016 VOLUME PROJECTIONS SOURCE 5-YEAR USPS BUSINESS PLAN APRIL 2013

COMBINED POSTAGE VOLUMES IN USPS FY 2015



2016 POSTAL FORUM COMMITTED TO USPS GROWTH & SUCCESS

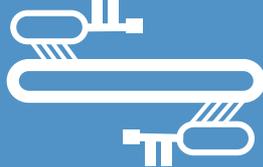
Machine Sets

32



APBS
* Added 1,008 Additional Bins
Added (1) Machine SRC

8



APPS

9



SPSS
Small Package Sorting System
*All New in CY16

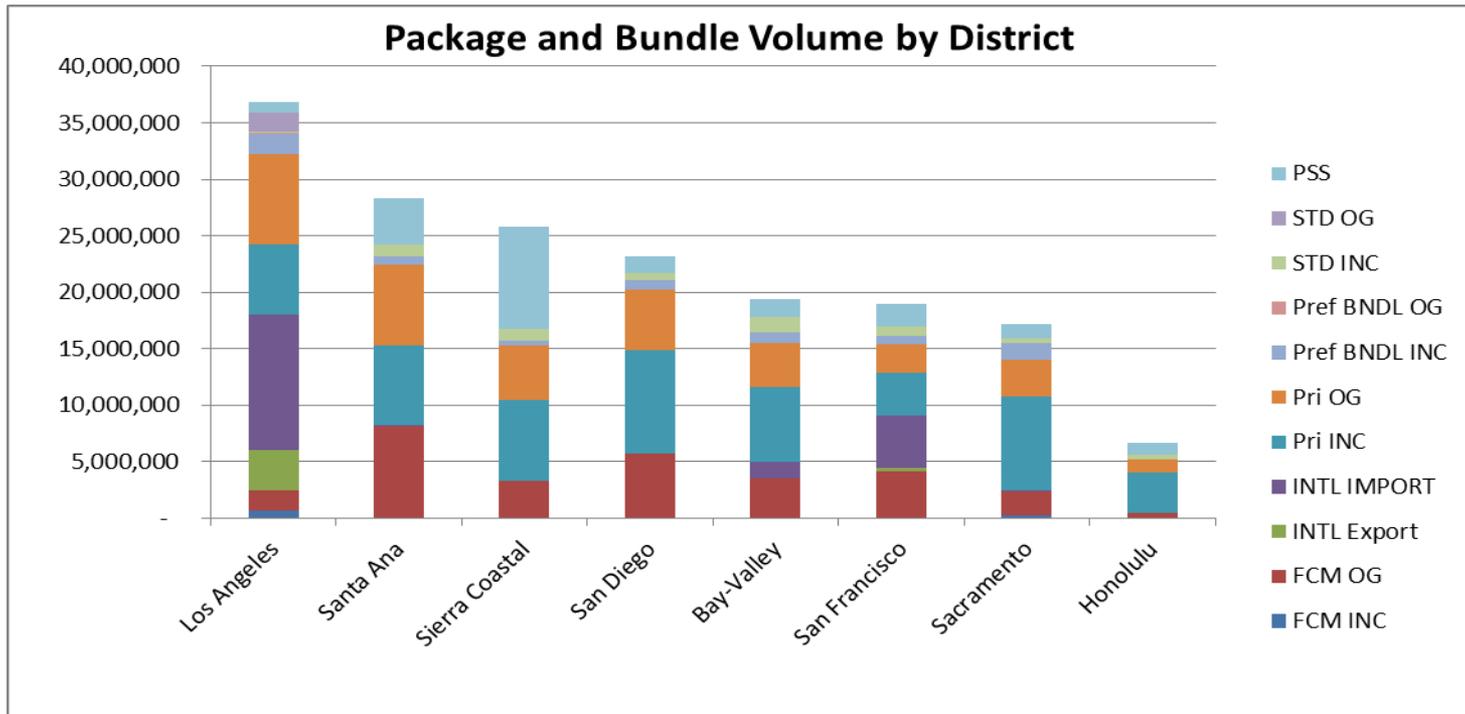
2



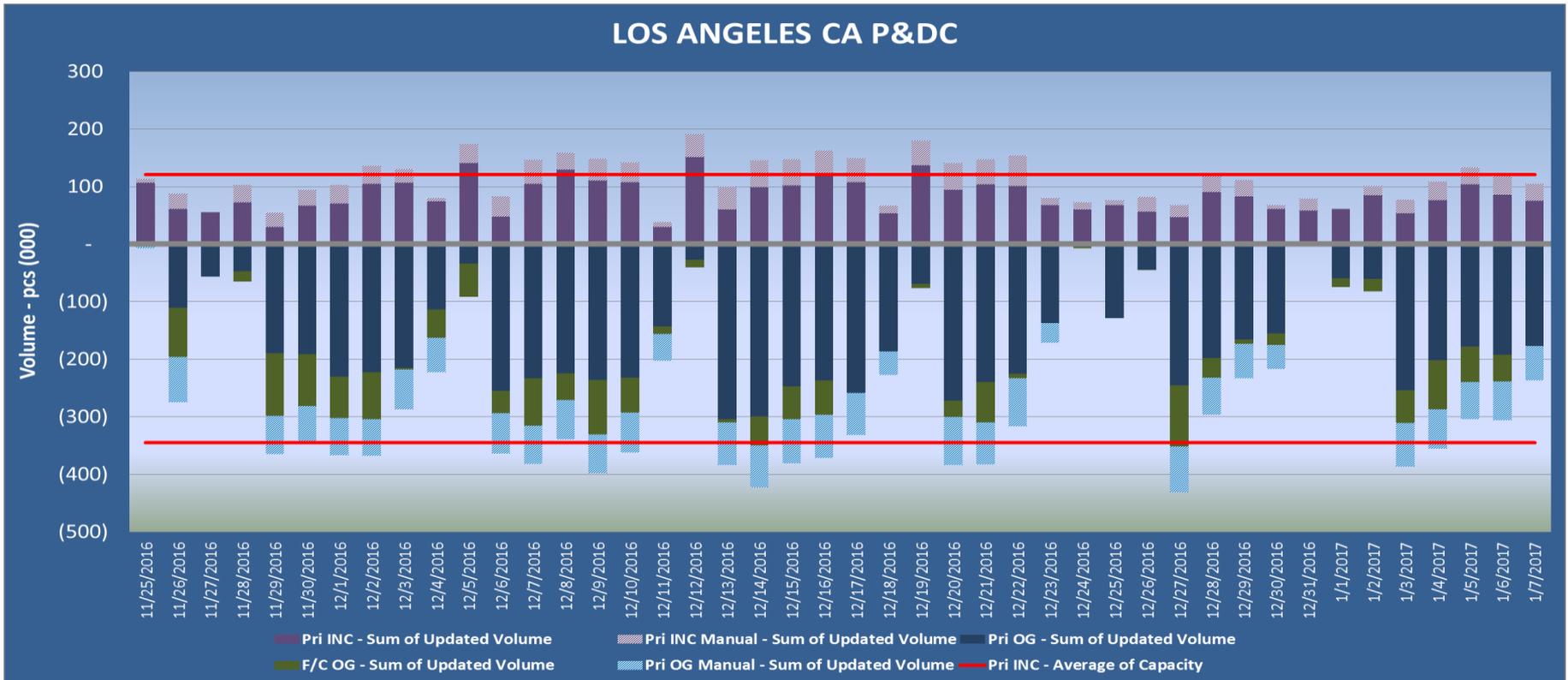
USS
Universal e Sorting System
Industry & Los Angeles

Bay Valley	4	1	1	
Honolulu	2	0	0	
Los Angeles	6	2	2	1
Sacramento	3	1	1	
San Diego	3	2	1	
San Francisco	5	0	* 1	
Santa Ana	5	1	3	1
Sierra Coastal	4	1	0	

Package Volume by District

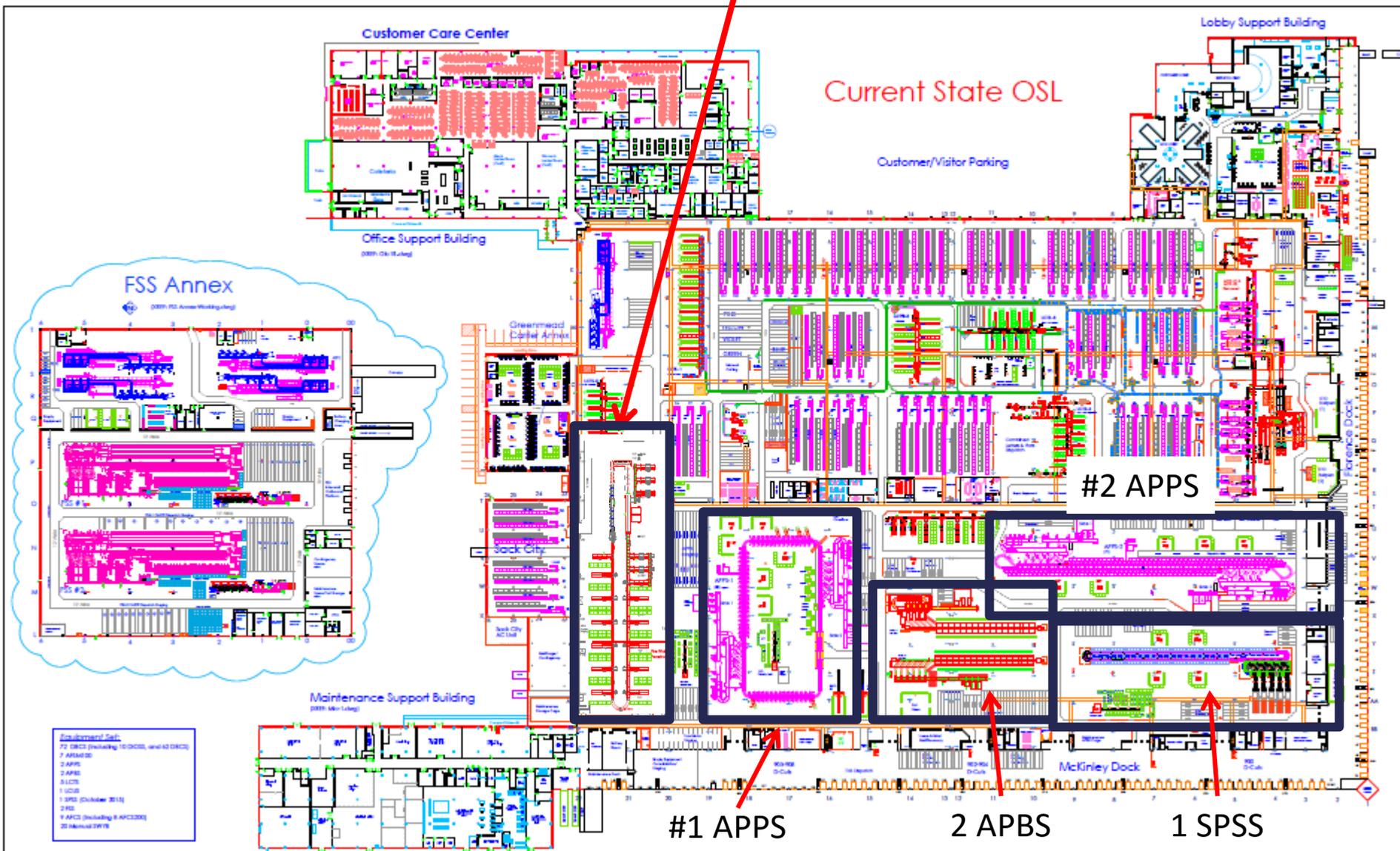


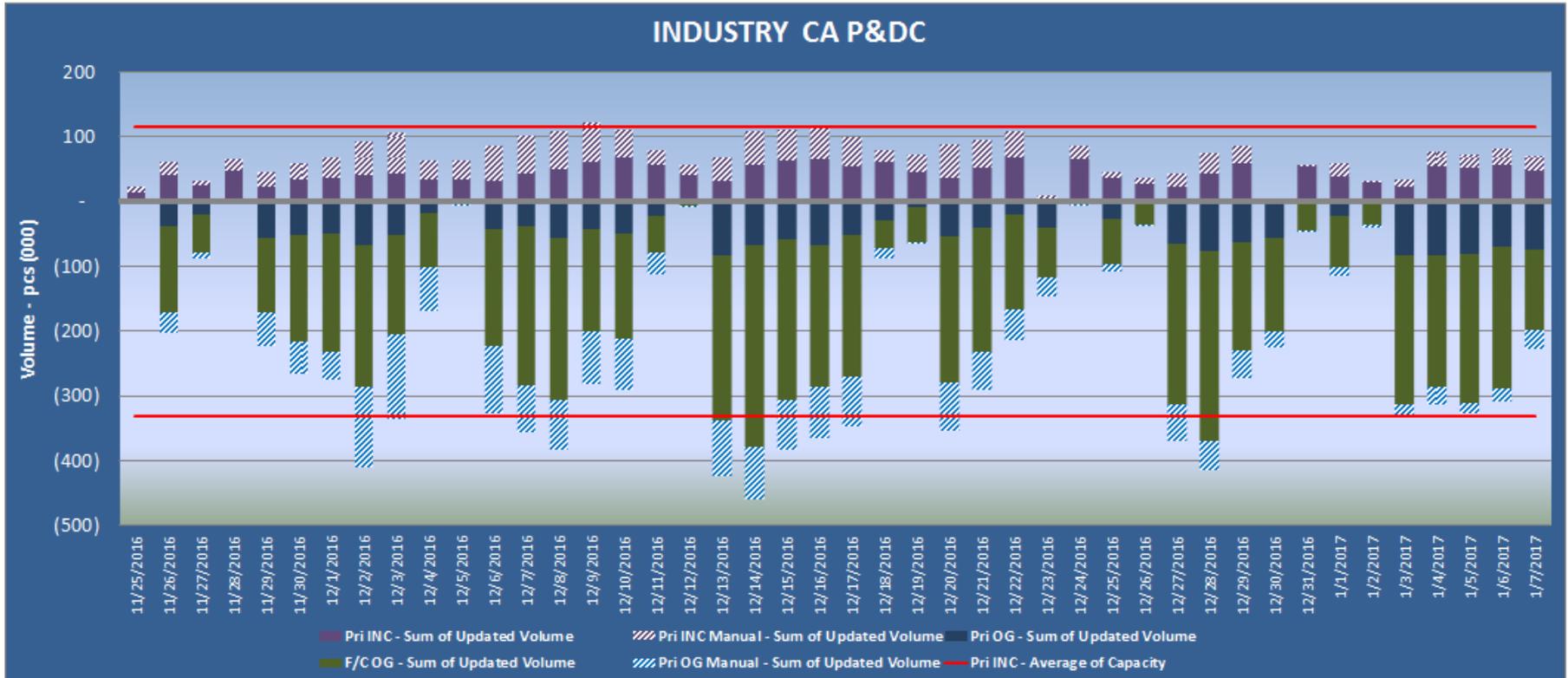
DOES NOT INCLUDE THE NDC VOLUME



- Increase Operating Window on peak Mondays and Tuesdays
- Highest Forecast week (12/12-12/19) Average Daily Volume of 425,000 OG Packages
- Early Collections (12-2 pm)
- Return OG mail on midday advanced parcel trips/Parcel pickups

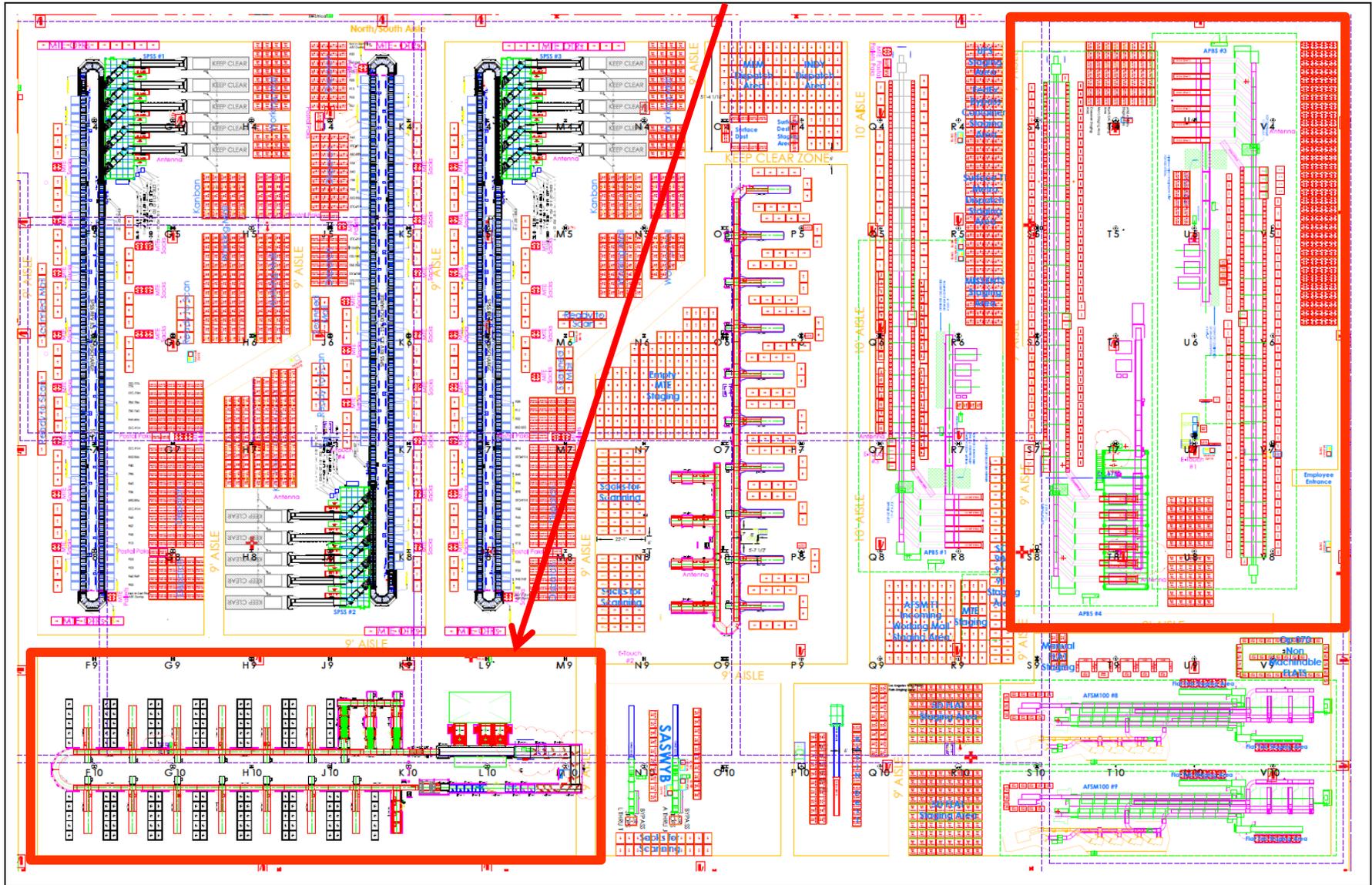
Adding Universal Sortation System (USS) and Maximizing two APPS, two APBS, One SPSS machines

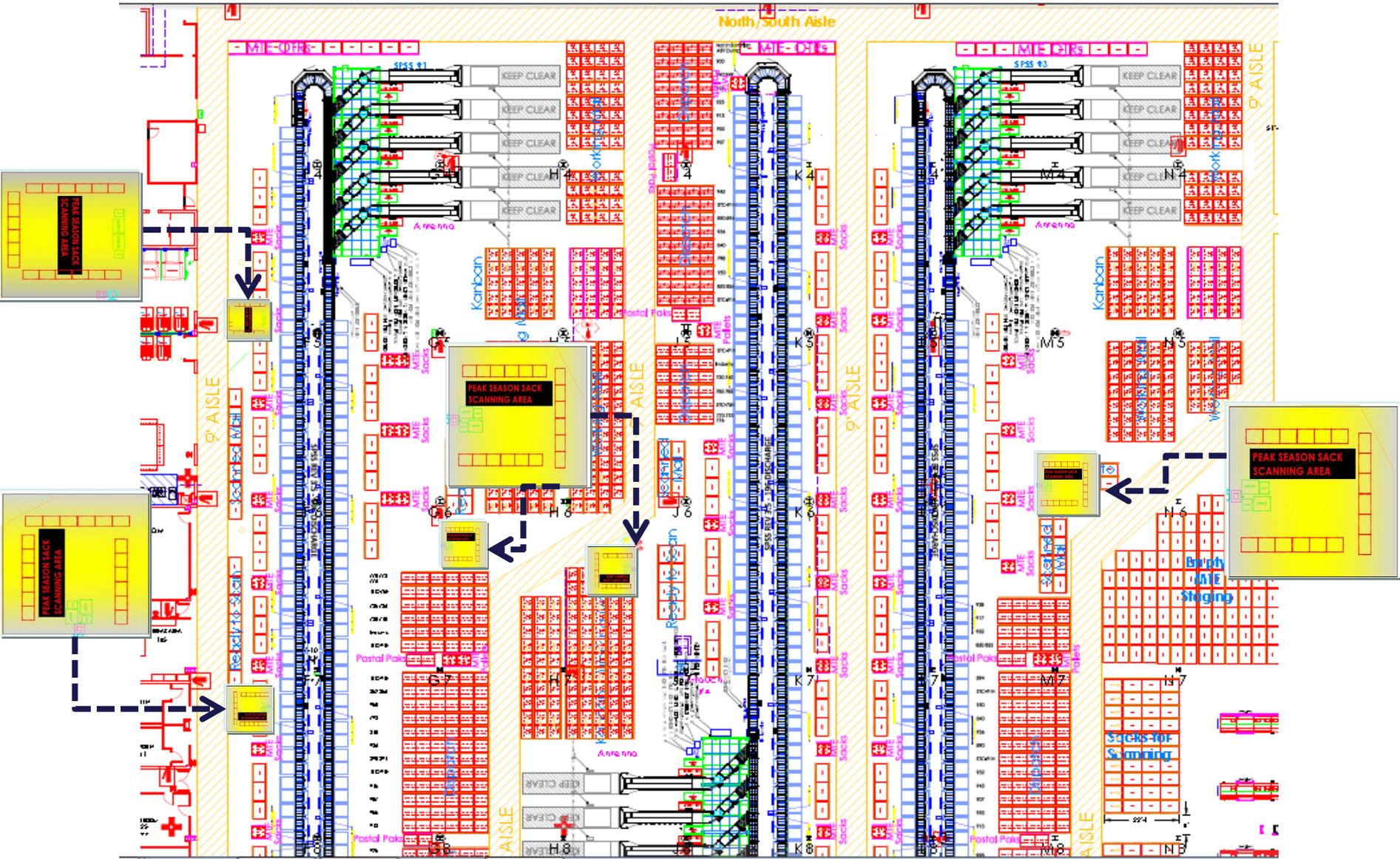


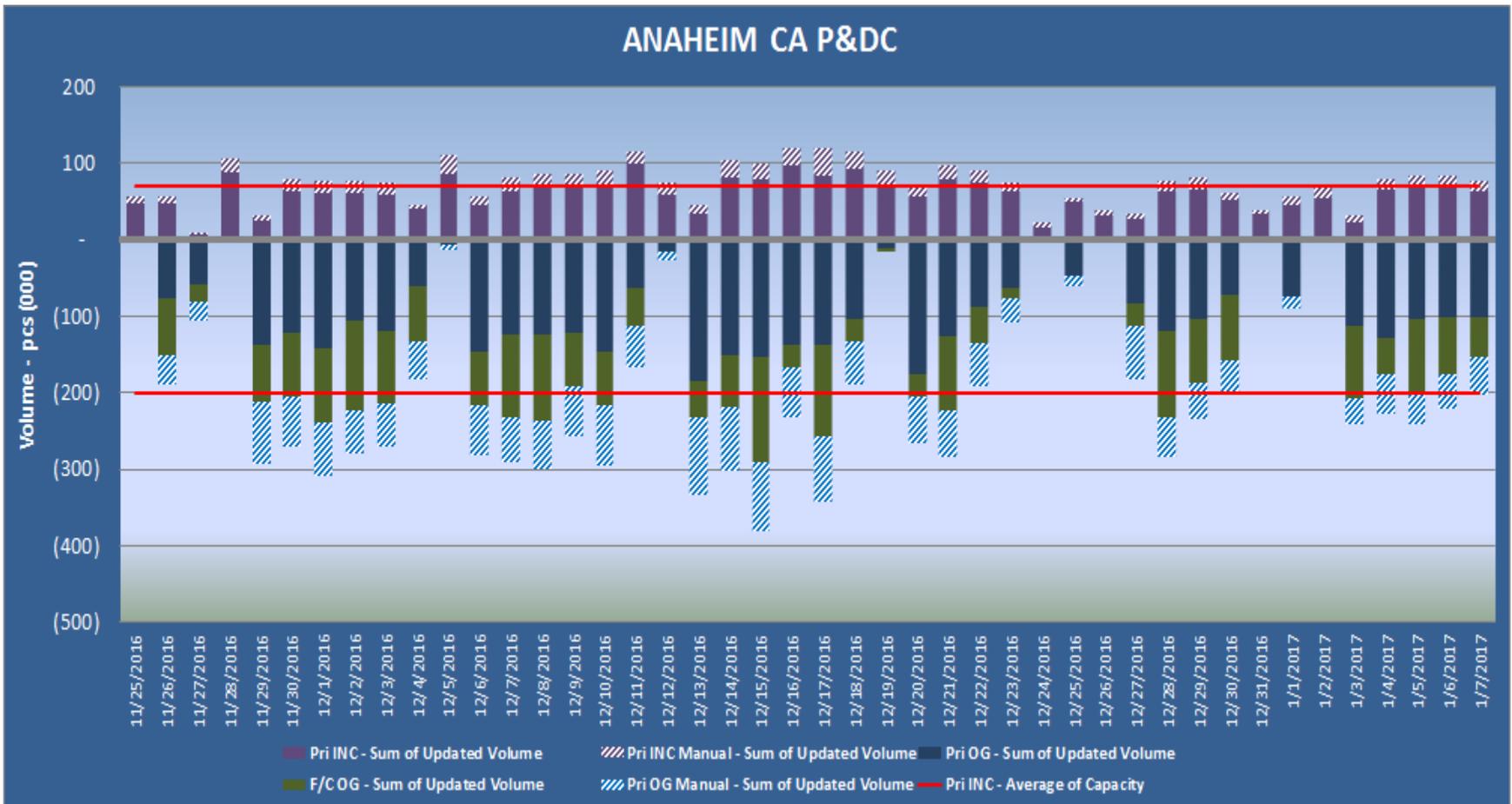


- Increase Operating Window on peak Mondays
- Highest Forecast week (12/12-12/19) Average Daily Volume 489,000 Out Going
- Early Collections (12-2 pm)

Adding Universal Sortation System (USS) and expanding two APBS machines to 196 Bin





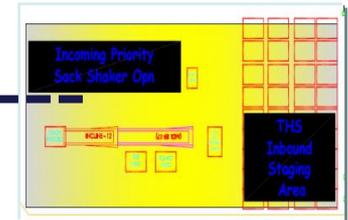
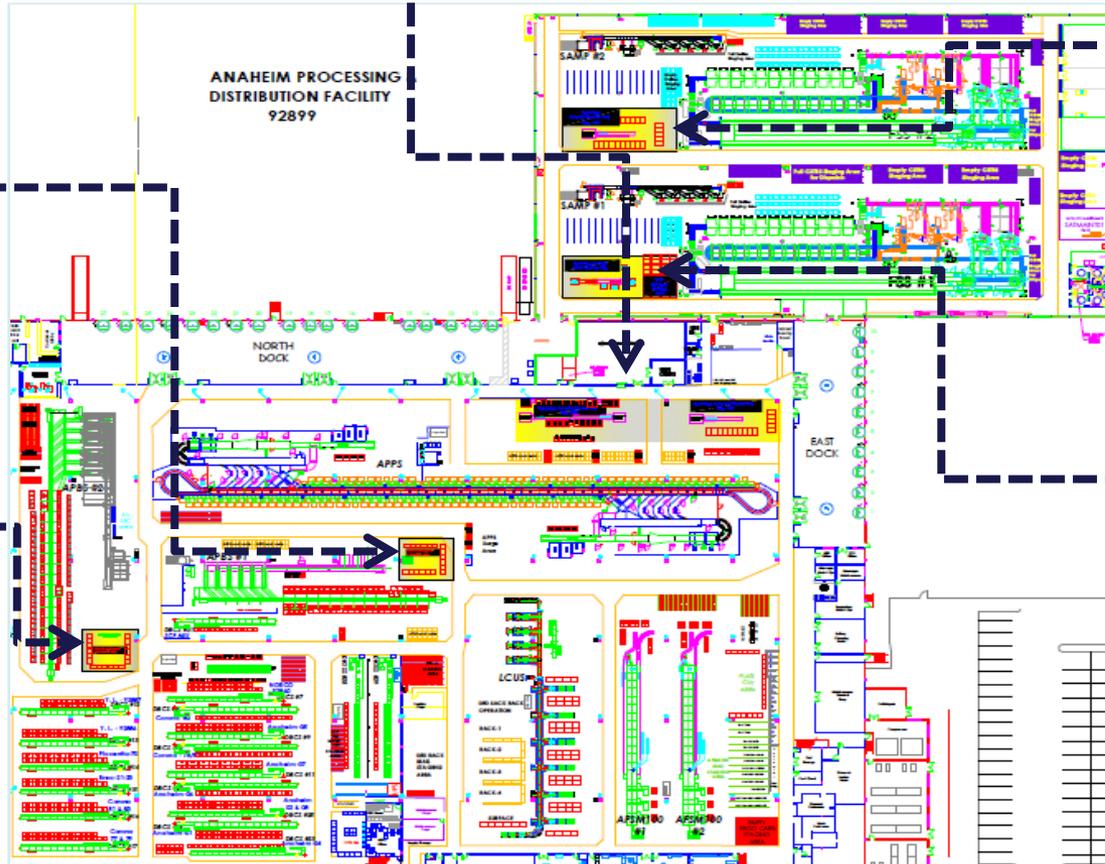
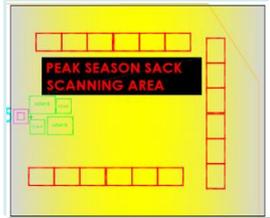
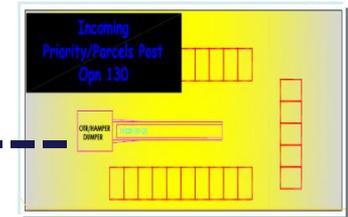
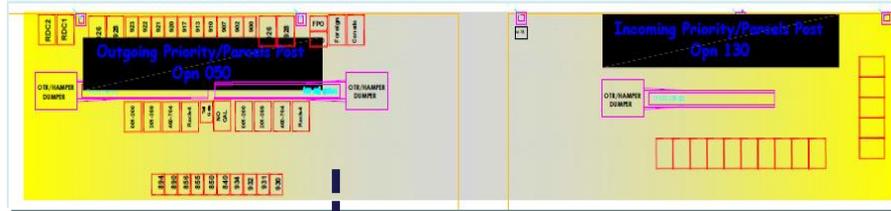


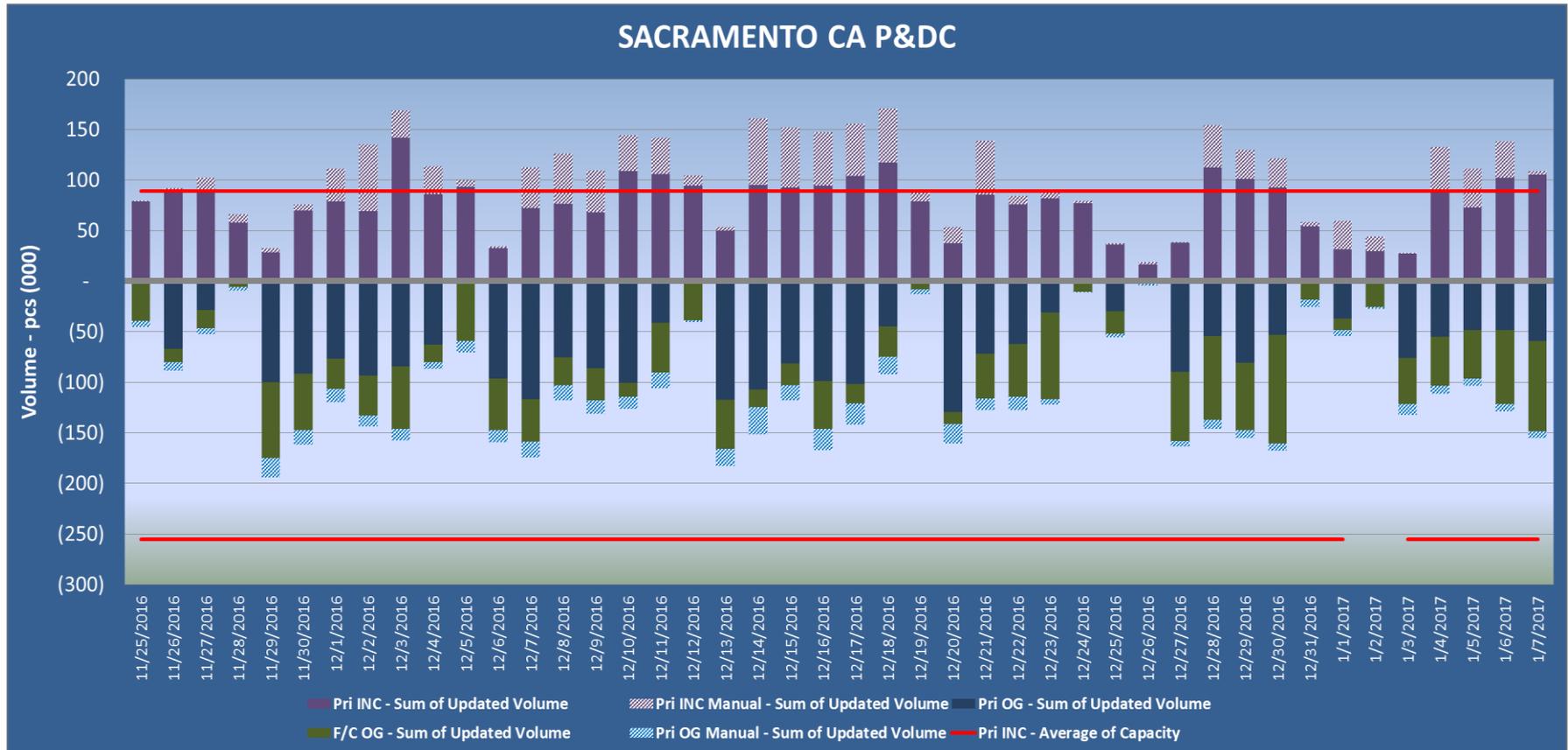
- Increase Operating Window During Peak
- Highest Forecast week (12/12-12/19) Average Daily Volume 189,000 Out Going
- Early Collections and Volume Arrival Profile

Peak Season Floor Layout Modifications

MAIL PROCESSING EQUIPMENTS

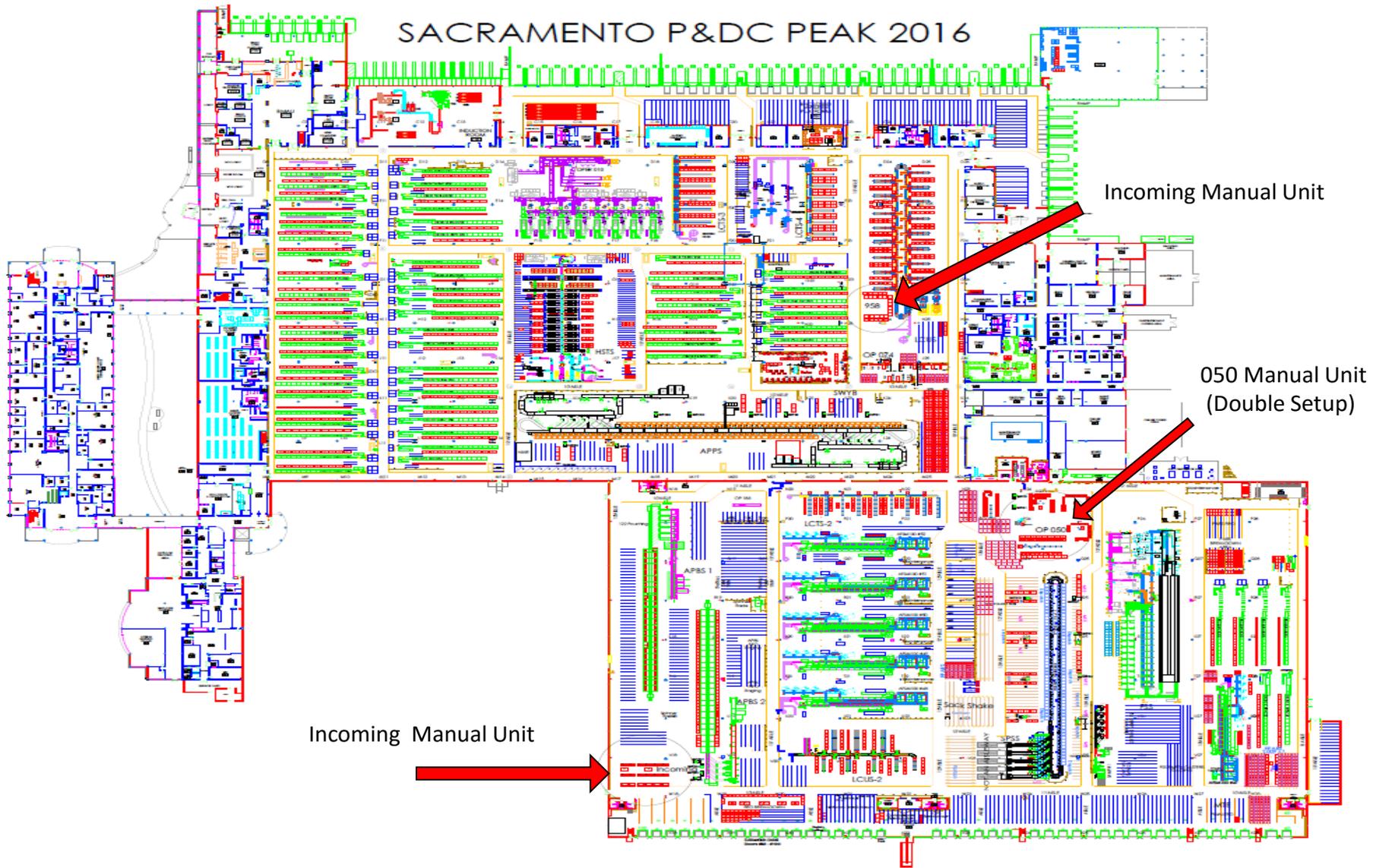
- 1- APPS
- 2-APBS (100 & 132 Bins)
- 1-LCUS
- 2-FSS/SAMP
- 2-AFSM100 (LEGACY)
- 16-DBCS
- 2-DIOSS





- Increase Operating Window During Peak
- Highest Forecast week (12/12-12/19) Average Daily Volume 172,000 Out Going
- Early Collections and Volume Arrival Profile

SACRAMENTO P&DC PEAK 2016



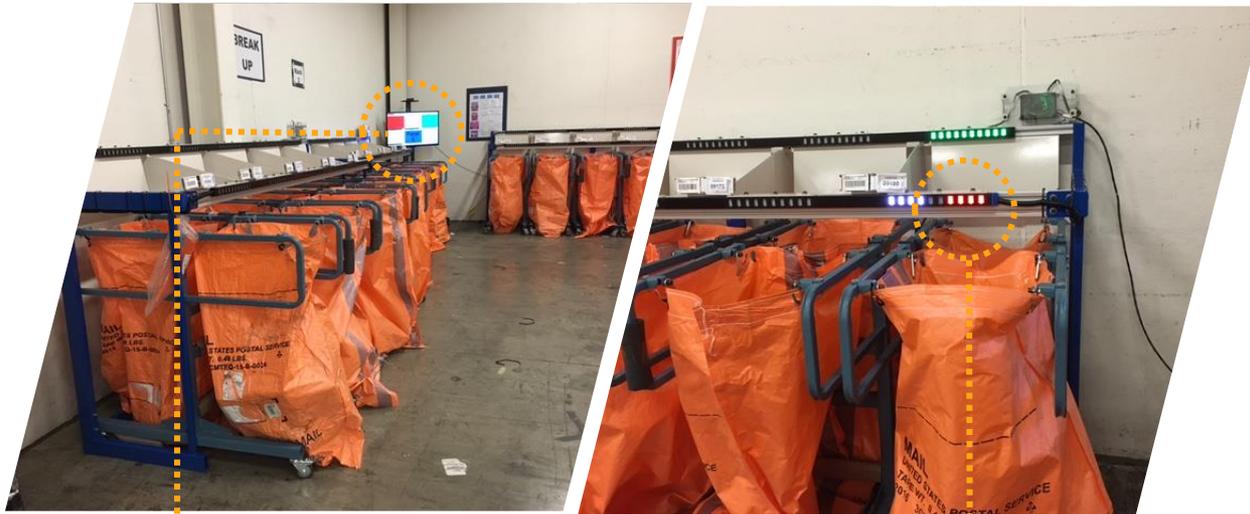
Incoming Manual Unit

050 Manual Unit
(Double Setup)

Incoming Manual Unit

Sort to Monitor

Sack Racks & Alternate Ring Scanners



1

Monitor

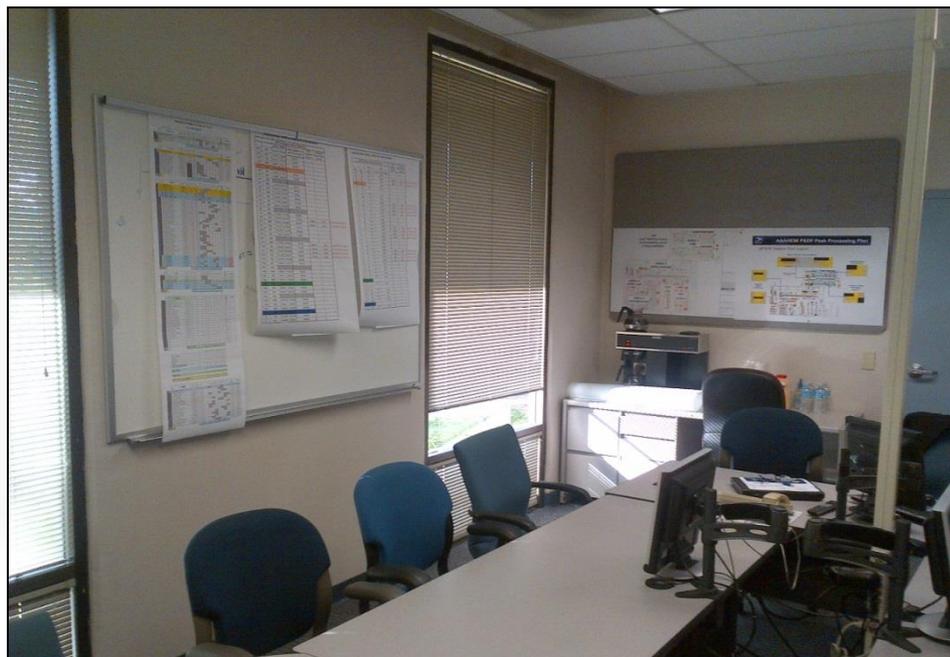
Andon lights

2

Easy thumb grip for multi tasking

3





Manual Parcels Belt Operations

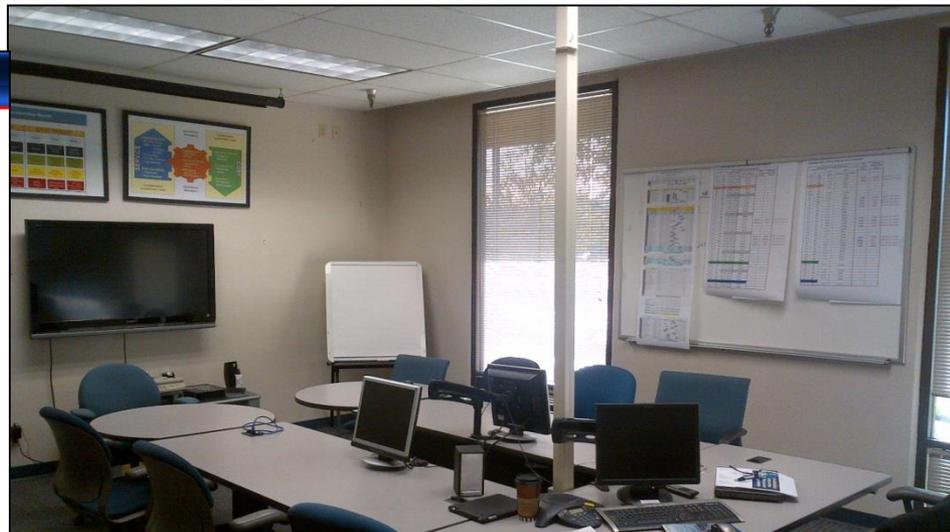
ANAHEIM P&DF Christmas Processing Plan

Priority Parcels Processing Plan

APPS

Anaheim P&DF 92803-0000

APPS	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	
APPS																										
APPS																										
APPS																										
APPS																										



Questions?