DELIVERY OPERATIONS

FY 2009 Cost Containment Strategies

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Vice President, Delivery Operations
Delivery – Largest Cost Center in USPS

City Delivery
75%
$17.5B

Rural Delivery
24%
$5.7B

HCR Delivery
1%
$0.25B

Total Delivery Costs: $23.5 Billion

GROWING
Delivery Network Growth
Ease Rate Pressure Through Aggressive Cost Reductions

2009 Delivery Challenge:

- React to Unprecedented Volume Loss
- Address Route Structure
  - City Carrier Route Adjustment Process
  - Collection Operations
- Reduce our Vehicle Fleet
  - Reduce our Carbon Footprint
- Implement FSS Technology
## Workhour Savings by FY

<table>
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<tr>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
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<th>Sep</th>
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<tr>
<td>QTR 1</td>
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**FY 2009 Challenge**

- **FY 2006**
  - SPLY -5M
  - SPLY -10M
  - SPLY -15M
  - SPLY -20M
  - SPLY -25M
  - SPLY -30M
  - SPLY -35M

- **FY 2007**
  - SPLY (3.0m)
  - SPLY (6.3m)

- **FY 2008**
  - SPLY (15.3m)

- **FY 2009**
  - SPLY (32.5m)

- **FY 09 Savings Expectation**
  - $1.3 Billion
FY 2009

Day 1 FTE Route Reductions Required to Fund 8 Hours per Route in 2009 - 9,200

2009 FUNDING
Based on 161,400 Current Rts

Avg Hrs per Rt 7 hrs 30 min’s

Avg Street Hrs 5.6

Avg Office Hrs 1.9

FY 2009
A Joint USPS/NALC Agreement for an Expedited Route Evaluation and Adjustment Process

- Allows Swift Reaction to Unprecedented Volume Loss
  - Quick, Simple Less Contentious Process
  - Data Driven
  - Jointly Administered

Opportunity to evaluate the process & potential to continue for 2 years
Alternate Adjustment Process

- Evaluations Currently in Progress
- Service-Wide Implementations to Occur in Jan
- Expected Impacts
  - USPS - Significant Operational Savings
  - Mailing industry – Need for Address File Updates
Alternate Adjustment Process

Scope of this Effort:
- Nationwide – Significant Changes in Every District

Impact:
- 5,000 Delivery Zones
- 85 – 90k Carrier Routes
- 50 million addresses potentially impacted
Mailer Product Schedule

- Significant changes in Carrier Route data each month through April 09
- AMS Updates available at end of each month
- RIBBS Posting of Affected Zones
- Please update your data
9.9 Million Less Pieces per Day

Today, the Average Collection Box is Hit 1.4 Times per Day

<table>
<thead>
<tr>
<th>Year</th>
<th>Cancellations (billions)</th>
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<tbody>
<tr>
<td>FY 2005</td>
<td>28.5 B</td>
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<tr>
<td>FY 2006</td>
<td>27.8 B</td>
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<tr>
<td>FY 2007</td>
<td>26.0 B</td>
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<tr>
<td>FY 2008</td>
<td>24.8 B</td>
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Residual Benefits of Rt Reductions

**SERVICE**
- Greater Consistency of Delivery
  - Less Pivoting / Carriers Out Past 1700

**COSTS**
- Facility Space
- Delay/Eliminate the Need for Career Hires

**EMPLOYEE SATISFACTION**
- Employee Morale
- Easier to Manage

**REDUCED CARBON FOOTPRINT**
- Vehicle Mileage/Fuel Reductions
- Excess Vehicles to Cover Rural Mandate
Limited capital funds to acquire new vehicles
Extending LLV service life
15,000 additional vehicles on rural routes
Meeting federal fuel reduction mandates
Address parts obsolescence issues
Fleet Reduction Target

Today’s Postal Fleet – 220K
Target - < 200K

Delivery Strategies to Reduce Carbon Footprint

- Route Reduction Strategy
- Route Optimization with COR
- Growth Management Program
- Pursue Opportunities for Green Routes
Motorization
Create Foot Route(s) Within the “De-motorized Zone”.
Adjust the Territory on the Remaining Motorized Routes.
Test Various Methods / Concepts
- Labor Agreement
- Work Methods
- Delivery Unit Preparedness
- Route Adjustment Process
Adjustment Results – Reston Annex

- Routes - Eliminated 9 full time routes, 2 T6 position and added 2 Aux routes
- CC Complement Reduction – 7 Full-Time Reg + 1 TE
- Clerk Complement Reduction – 1 Full-Time Regular
- Vehicles Reduced – 7 (reallocated to Rural)
- Casing Equipment – 56 pieces of equipment removed
- Space – additional 960 sq ft of available space created