



Five-Day Delivery Briefing

**National Postal Forum
April 2010**



Today's agenda

- ❑ **Delivering the future**
- ❑ **Reasons for five-day delivery**
- ❑ **Cost savings analysis**
- ❑ **Proposed operations plan**
- ❑ **Five-day start-the-clock changes**
- ❑ **Stakeholder input and mailer issues**
- ❑ **Operational plan addresses mailer issues**
- ❑ **Lead times for implementation**



Delivering the Future

**National Postal Forum
April 2010**



Delivering the Future

- ❑ Management actions within the postal law
- ❑ Facing 10-year, \$238 billion deficit
- ❑ Pursuing opportunities in four critical areas:
 - Legislative and regulatory oversight
 - Restructure retiree health benefit prepayment
 - Pricing and product flexibility
 - Expanding access to products and services



Delivering the Future

- ❑ Delivery frequency offers significant savings
- ❑ Need to act quickly — can't afford to wait
- ❑ Approaching issue on parallel tracks
 - Requested an advisory opinion from PRC
 - Seeking legislative change



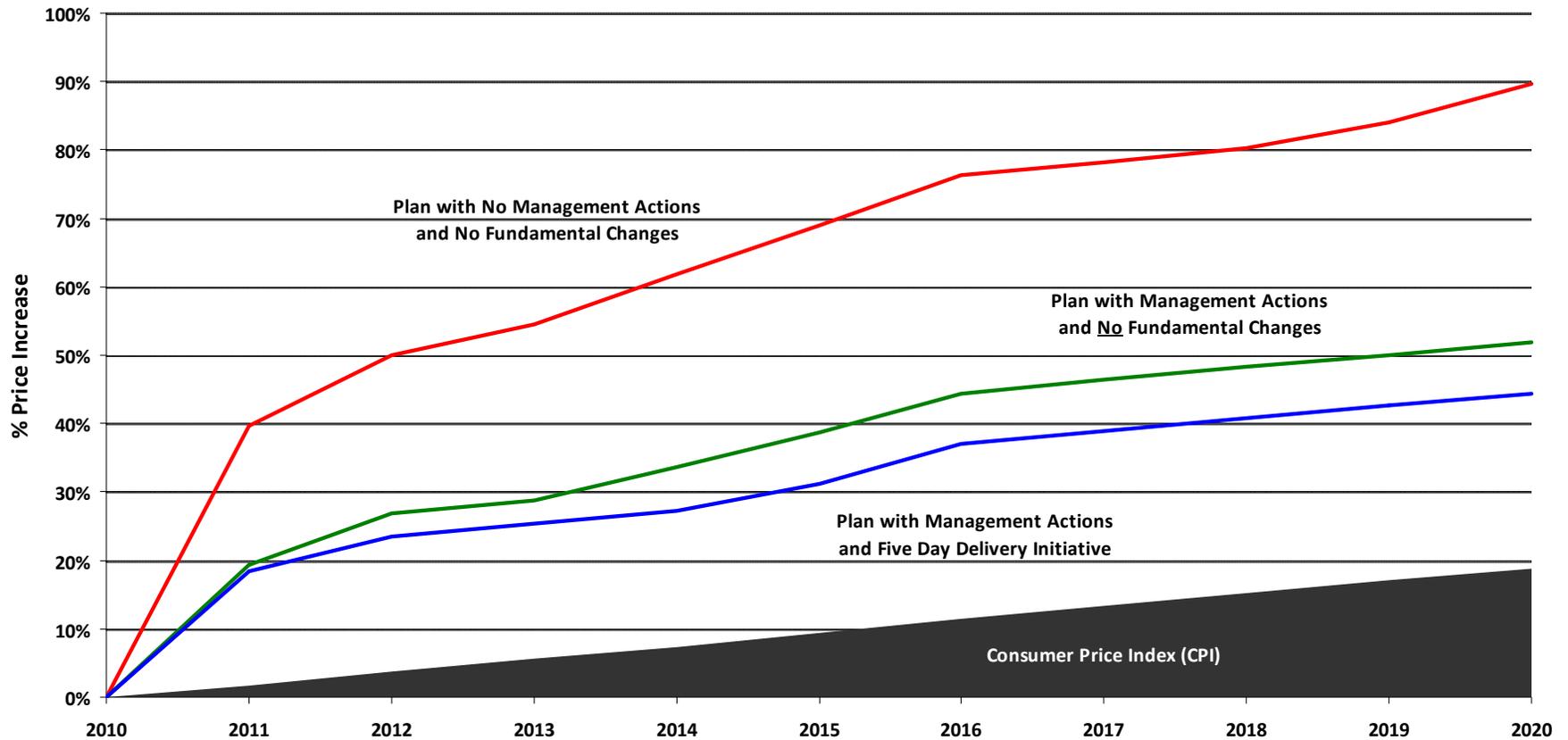
Business plan: proposed actions

	Cumulative value 2010-2020
Actions w/in USPS control	\$80-123 billion
+	
Retiree health benefits	\$0-50 billion
+	
Delivery frequency	\$0-40 billion
+	
Expanded access	\$0-10 billion
+	
Workforce	TBD
+	
Revenue (pricing and products)	\$0-158 billion
Remaining gap (from \$238 billion)	\$ zero



Potential price increase scenario

Cumulative % Price Increases on Market Dominant Products
(Assumes constant elasticities and solves for profit of \$1B annually to pay off debt)





Why we need to move to five-day delivery

**National Postal Forum
April 2010**



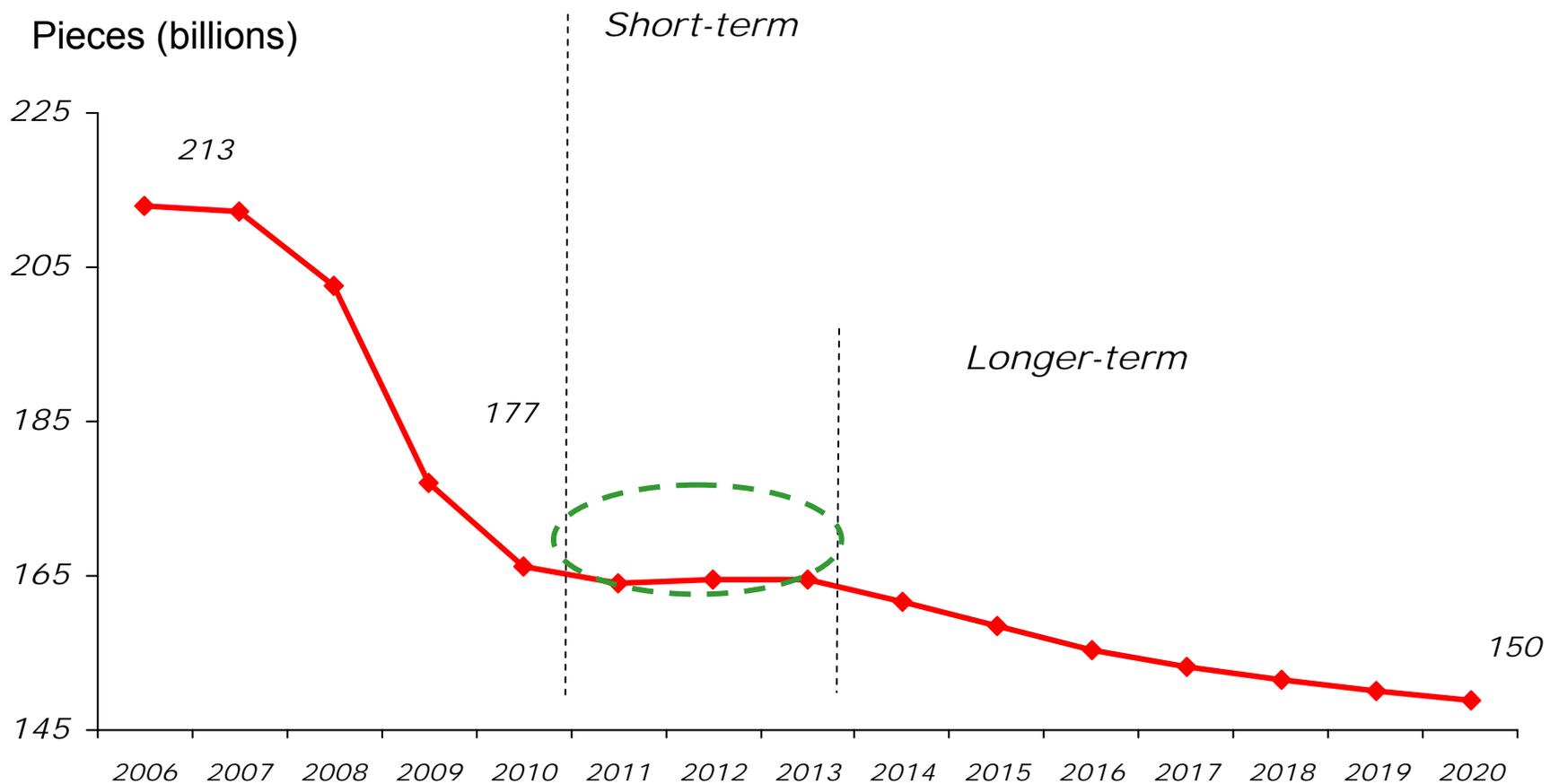
Why we need to move to five-day delivery

- ❑ **Decreasing mail volumes**
- ❑ **Increasing delivery points**
- ❑ **New mail mix: larger volumes, lower contribution margins**
- ❑ **Existing cost cutting programs not enough**
 - In FY 2009, USPS successfully removed more than \$6 billion in costs
 - Even so, FY 2009 operating loss was \$3.8 billion
 - Continuing operating losses forecast



Decreasing mail volume

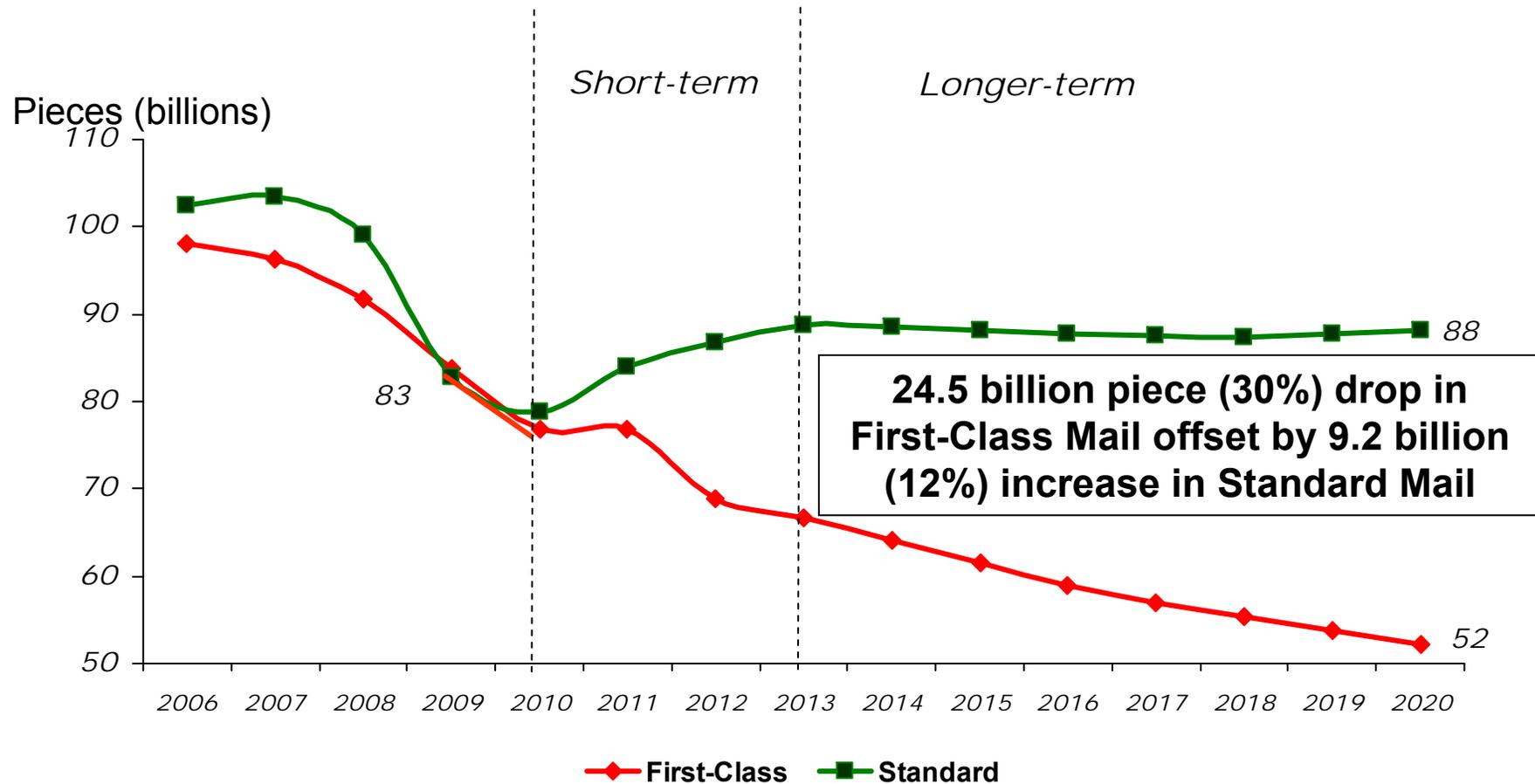
Volume down from 213 billion to 177 billion pieces since 2006, and projected to fall to 150 billion pieces by 2020.



Data from Boston Consulting Group, Inc.



2020 projection indicates significant mail mix shift from First-Class to Standard Mail

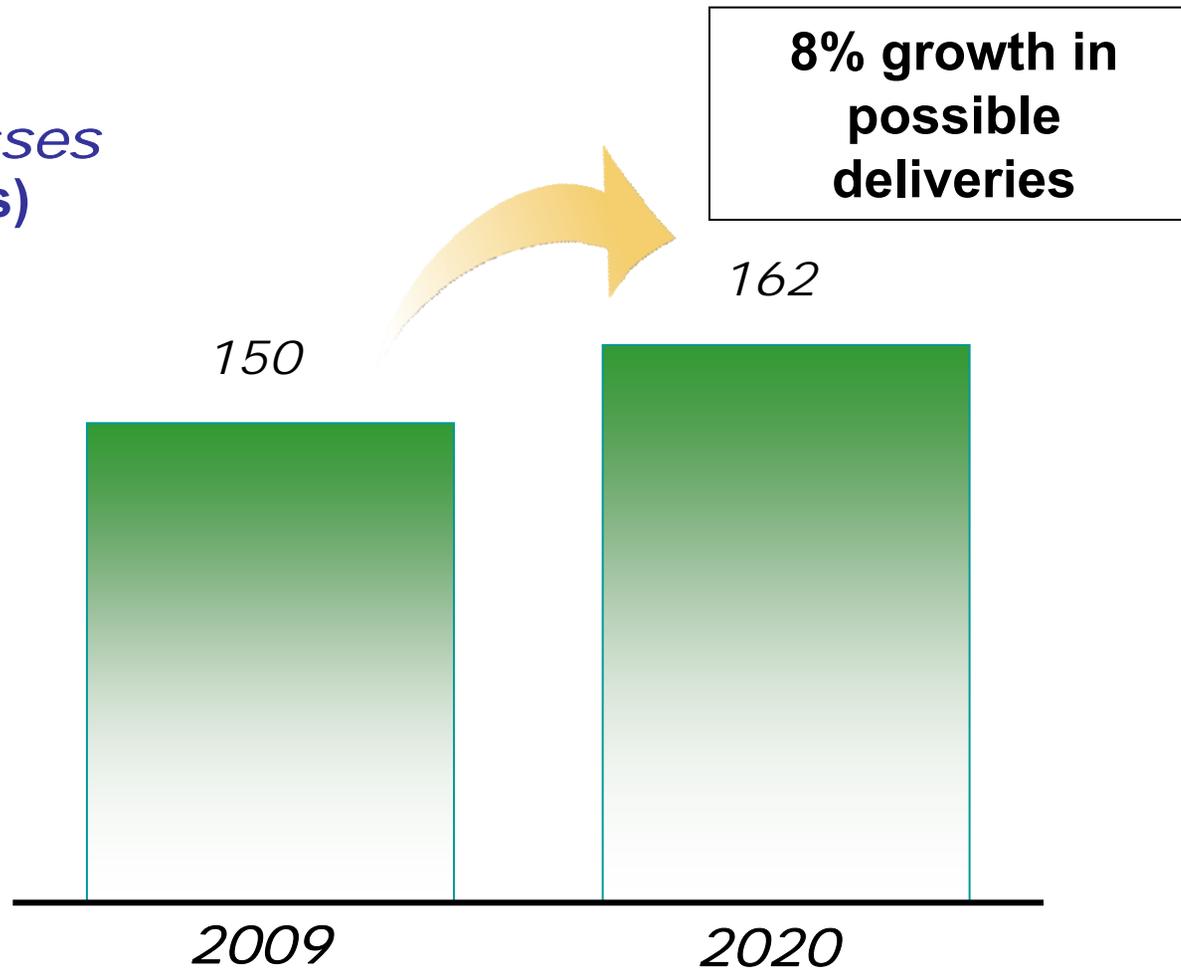


Data from Boston Consulting Group, Inc.



Deliveries continue to grow at 1 million per year

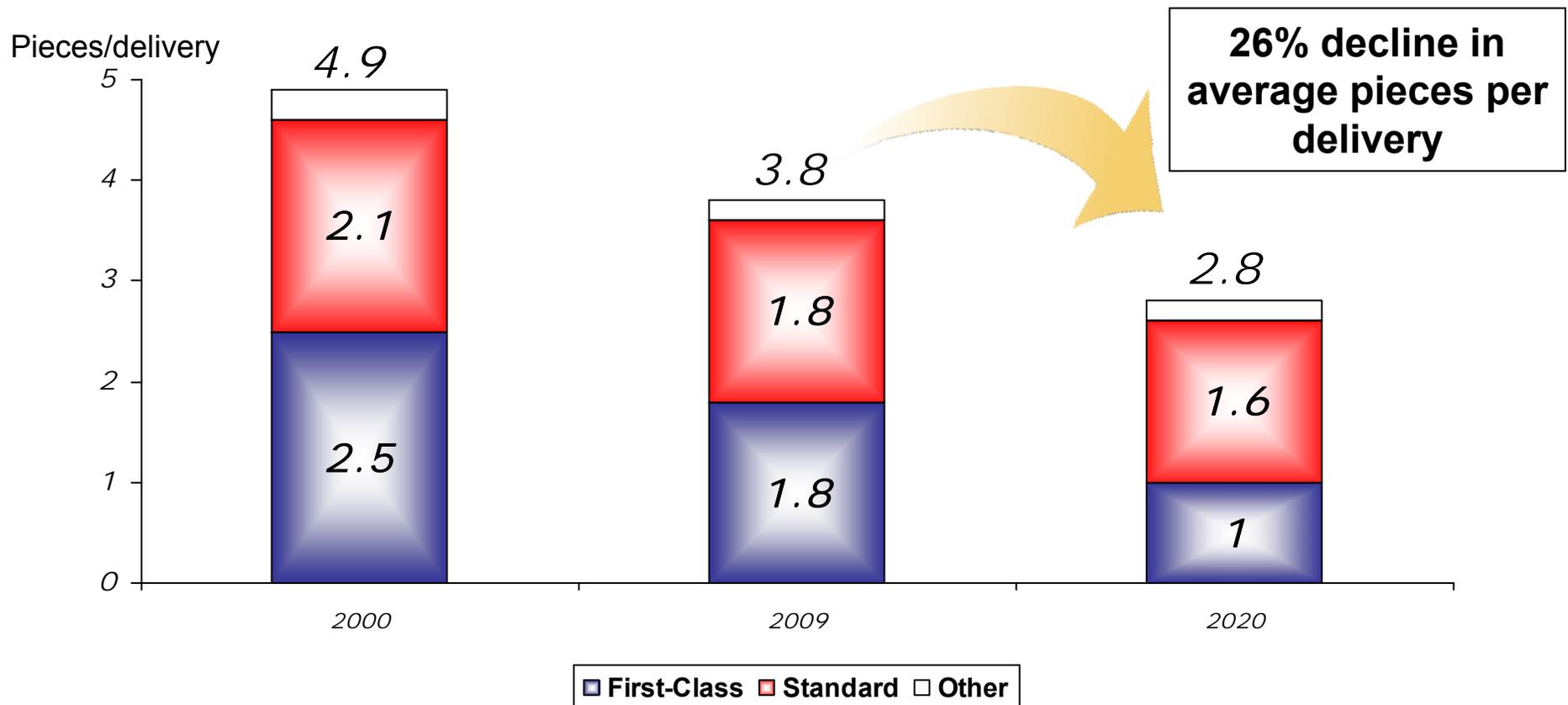
*Addresses
(millions)*





Pieces per delivery

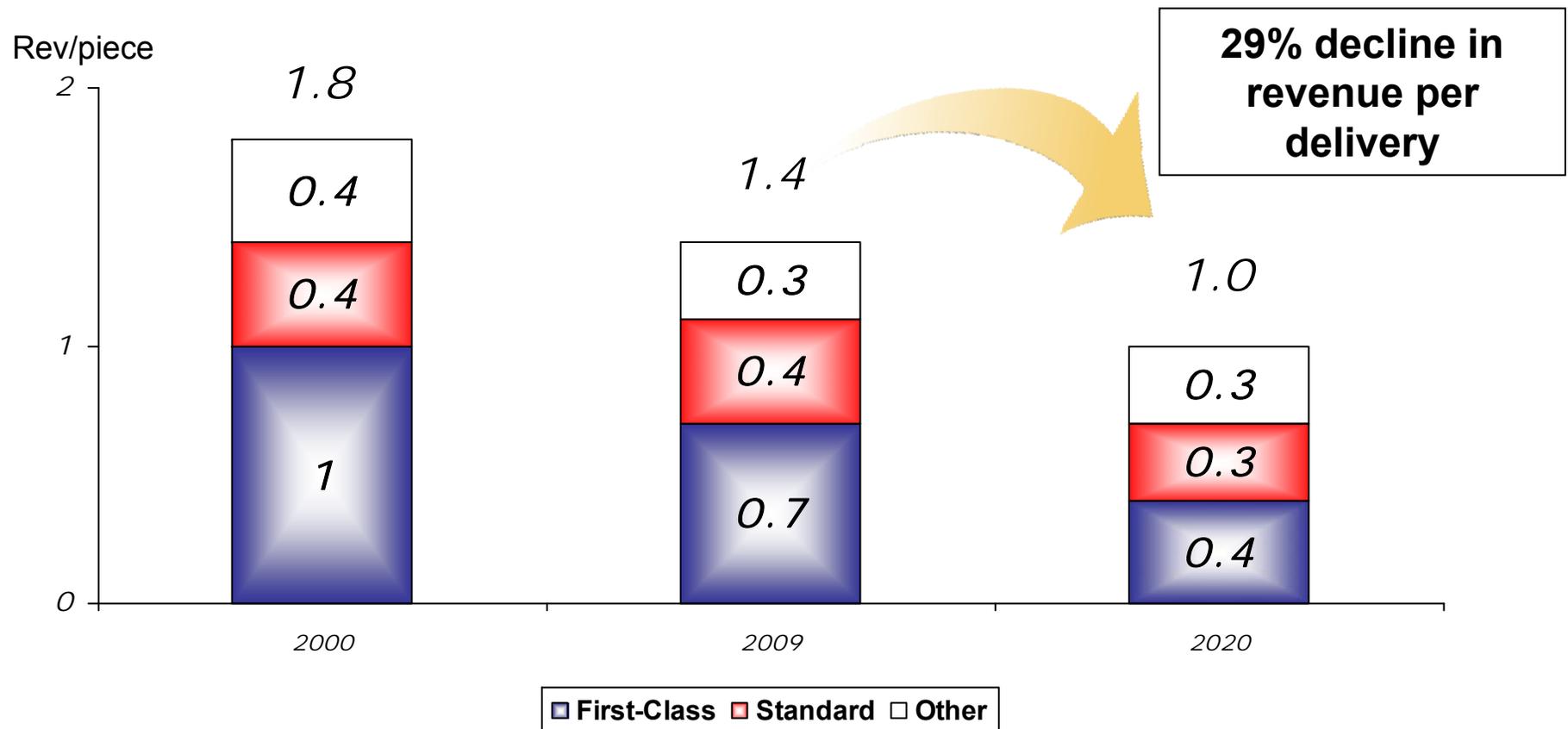
Continued growth in deliveries coupled with declining volume results in fewer pieces per delivery





Revenue per delivery

2020 revenue per delivery will decline almost 50% from 2000





Proposed five-day operations plan

**National Postal Forum
April 2010**



Proposed five-day operations plan

- ❑ **No Saturday street address delivery except Express Mail**
- ❑ **No scheduled weekend box collections except Express Mail from Post Offices and dedicated collection boxes**
- ❑ **Continue Saturday Post Office services**
 - Post Offices with current Saturday hours remain open
 - Deliver all mail to P.O. Boxes



Proposed five-day operations plan

- ❑ **Continue 7 day-a-week availability of remittance mail that is P.O. Box addressed**
- ❑ **Continue Saturday acceptance of bulk mail**
 - Post Offices, business mail entry units and detached mail units currently open Saturday and Sunday will remain open and accept mail
 - Incoming drop shipments
 - Facilities now open will remain open and accept mail
 - Destination delivery unit hours reduced to window hours
 - Carrier annexes staffed as necessary



Proposed five-day operations plan

- ❑ **Process outgoing mail Monday-Friday**
 - Mail accepted at Post Offices Saturday will be processed Monday
- ❑ **Continue to process all mail in the network distribution centers**
- ❑ **Continue to transport outgoing mail during weekends between network distribution centers and plants**



Proposed five-day operations plan

- ❑ **Continue to process incoming mail at plants Monday-Sunday to support delivery**
 - Street addresses Monday-Friday
 - P.O. Boxes Monday-Saturday
 - Remittance mail Monday-Sunday

- ❑ **Reduce mail transportation between plants and Post Offices on Saturday**



Cost-savings analysis

**National Postal Forum
April 2010**



USPS cost savings analysis

FY 2009 full-up cost

Total savings	\$3.3 billion
Impact on contribution	(\$0.2) billion
Net savings	\$3.1 billion



Comparing PRC, USPS five-day delivery savings

The PRC estimated \$1.9 billion in savings

USPS estimated \$3.1 billion in savings

Where the differences come from

■ Key differences

- PRC analysis is from 2007. USPS analysis is from 2009.
- PRC estimates a larger contribution loss.
- PRC includes just carriers. USPS includes all operations.
- PRC is “top-down.” USPS is a detailed “bottom up.”
- PRC savings when updated with 2009 information.

■ Key caution

- USPS just filed with the PRC, which hasn't had an opportunity to review new information.



Areas not studied by PRC

- ❑ **PRC analyzes carrier savings only**
- ❑ **USPS studies all operations, and finds:**
 - \$337 million in transportation savings.
 - \$123 million in mail processing savings.
 - \$53 million in Post Office savings.

Total non-delivery savings: \$553 million



Sources of differences

Using FY 2009 costs would increase PRC savings number to \$2.1 billion.

	PRC Savings	USPS Savings	Difference
Carrier Savings	\$2,580	\$2,747	\$167
Transportation	Not studied	\$377	\$377
Processing	Not Studied	\$123	\$123
Post Office	Not Studied	\$53	\$53
Total Savings	\$2,580	\$3,300	\$720
Contribution Loss	(\$498)	(\$197)	\$301
Net Savings	\$2,082	\$3,103	\$1,021



Stakeholder input and mailer issues

**National Postal Forum
April 2010**



Stakeholder input and mailer issues

- ❑ **Stakeholders briefed on five-day concept**
 - Union/management associations
 - Major mailers/associations
- ❑ **Market research conducted**
- ❑ **Common mailer issues identified**
- ❑ **Operations plan refined**



Independent opinion polls

Resolving Postal Service's financial problems

❑ Gallup poll — February 2009

- 57% favor cost-cutting — eliminating Saturday delivery, closing Post Offices
- 27% favor government assistance
- 14% favor significant increase in price of postage

❑ Rasmussen Reports survey — February 2009

- 69% prefer cutting delivery to five days than pay more for postage
- 26% would rather pay more for postage

❑ Rasmussen Reports survey — July 2009 survey

- 50% would rather cut number of days mail delivered
- 34% would rather have government subsidize Postal Service



Independent opinion polls

- ❑ **Rasmussen Reports survey — March 2010**
 - 58% favor five delivery to reduce Postal Service budget losses
- ❑ **Washington Post-ABC News poll — March 2010**
 - 71% favor ending Saturday delivery
 - 35% favor closing Post Offices
 - 44% favor additional federal funding
 - 44% favor raising stamp prices
- ❑ **Gallup Poll — March 2010**
 - 71% favor reducing number of days Post Offices open to 5 days
 - 68% favor reducing mail delivery to 5 days
 - 47% favor federal government funding
 - 39% favor raising stamp prices
 - 12% favor closing Post Offices



- ❑ **MTAC / USPS business customer survey of 4,100 businesses in August 2009**
- ❑ **65% favor going to five-day delivery, 32% oppose it.**
- ❑ **65% percent are very or somewhat optimistic that their business will be able to adjust to five-day delivery.**



Market research: Maritz Survey

- ❑ **Survey of 1,047 residential and 1,144 small business (250 employees or fewer) customers in August 2009**

- ❑ **Residential**
 - **98% said that it is important for the Postal Service to remain in business.**
 - **68% are in favor of five-day delivery.**
 - **60% said the five-day delivery plan would have no impact.**

- ❑ **Small businesses**
 - **97% said that it is important for the Postal Service to remain in business.**
 - **68% in favor of the five-day delivery plan.**
 - **69% said the five-day delivery plan will have no impact**
 - **55% said Saturday delivery is unimportant**



Market research: Opinion Research Corp.

- ❑ **Qualitative Market research (August-October 2009)**
- ❑ **Small businesses and consumers**
 - Most indicated five-day delivery would have little or no impact
 - Most would adjust how they mail or use other alternatives
 - Most will accept five-day delivery if necessary to help USPS regain financial stability
- ❑ **Larger businesses**
 - Virtually all said Postal Service must be financially stable
 - Most said five-day delivery would have some impact, but they could adjust given time to plan



Five-day start-the-clock changes

**National Postal Forum
April 2010**



Five-day start-the-clock changes

- ❑ **No changes to current service standards rules**
- ❑ **Origin entry – Post Offices**
 - Start-the-Clock Saturday for Express Mail
 - Start-the-Clock Monday for:
 - Priority Mail
 - First-Class Mail
 - Periodicals Mail
 - Standard Mail
 - Package Services mail



Five-day start-the-clock changes

- ❑ **Origin entry – business mail entry units (BMEUs)**
 - Start-the-clock on Monday

- ❑ **Optional: start- the-clock on Saturday**
 - Available at Bulk Mail Entry Units co-located with plants
 - Local sectional center facility mail must be separated, pre-sorted and entered prior to customer acceptance time

Will require mailers to:

- Document in mail.dat or Postal Wizard
- Provide letter mail in full-tray equivalent 90-100% utilized
- Overflow letter mail provided in separate tray



Five-day start-the-clock changes

- ❑ **Origin entry — Detached Mail Entry Units**
 - Start-the-clock and mail make up governed by Customer/Supplier Agreements

- ❑ **Destinating entry**
 - Continue start-the-clock on Saturday/Sunday



Common mailer issues

**National Postal Forum
April 2010**



Common mailer issues

- **Election mail**
- **Perishables**
- **Medicines/hazmat lab specimens**
- **Remittance mail**
- **Firm holdout**
- **Newspapers**
- **Magazines**
- **Priority Mail delivery Saturday**
- **BMEU closed Saturday, DMUs open Saturday**
- **Drop-ship accepted Saturday**
- **Saturation mail**
- **Meeting Standard Mail in-home delivery dates**
- **Live animals**



Common mailer issues

- **Saturday delivery 2-3 weeks before Christmas**
- **Effect of weekend and three-day holiday on Monday/Tuesday delivery and collections**
- **Standard Mail committed delivery Monday**
- **Express Mail Saturday acceptance**
- **Saturday delivery of government checks**
- **Transportation between BMCs, SCFs and DDUs**
- **Collection of single-piece First-Class Mail Saturday**
- **Customers with time sensitive mail need Saturday to remain “day zero” for destination-entered mail**



Operational plan addresses mailer issues

**National Postal Forum
April 2010**



Operational plan addresses mailer issues

- ❑ **No Saturday delivery to street addresses or collections**
 - Appropriate lead time for customer (mailer and recipient) adjustments
 - Post and communicate new collection schedules

- ❑ **Continue Saturday Post Office services**
 - Post Offices currently open will remain open and accept mail
 - Deliver mail to P.O. Boxes



Operational plan addresses mailer issues

- ❑ **Continue availability of P.O. Box-addressed remittance mail 7 days a week**
- ❑ **Firm holdouts**
 - Local — available Monday-Friday
 - P.O. Boxes available if need mail Saturday
 - National — available Monday-Saturday for P.O. Box-addressed mail



Operational plan addresses mailer issues

- ❑ **Plan for timely delivery of mail on Monday or Tuesday after three-day holiday weekend**
 - Postal Service already does timely delivery of mail after holiday weekend 3-4 times a year
- ❑ **Continue weekend incoming mail processing and transportation to support Monday street address delivery**



Operational plan addresses mailer issues

- ❑ **Continue Drop Ship Entry on Saturday and Sunday**
 - Continue start-the-clock on weekends

- ❑ **Continue bulk mail acceptance on Saturday and Sunday**
 - Provide option for Saturday start-the-clock



Operational plan addresses mailer issues

- ❑ **Continue Express Mail delivery and collection from dedicated boxes/retail units**
- ❑ **Deliver parcels Saturday 2-3 weeks before Christmas, if needed**
- ❑ **Live animals, medicines and perishables**
 - Change DMM to require arrival at DDU Monday-Friday
 - Option to use Express Mail for delivery Saturday



Operational plan addresses mailer issues

- ❑ **Treat election mail with FIM as we do remittance mail if P.O. Box-addressed**
- ❑ **No delivery of government checks Saturday**
 - Provide appropriate lead time for mailer and recipient adjustments



Mailer adjustments

❑ No delivery to street addresses on Saturday

- Newspapers
- Magazines
- Local firm hold out
- Priority Mail & Parcels
- Standard Mail
- Government checks

❑ No scheduled collections or outgoing processing Saturday

- Remittance mail
- Correspondence
- Priority Mail
- Election Mail
- Post Office acceptance

❑ Delivery on Monday or Tuesday after three-day holiday

- Standard Mail
- Periodicals Mail



**Lead time before five-day
delivery would start**

**National Postal Forum
April 2010**



Lead time to five-day delivery

- ❑ **USPS requested PRC advisory opinion**
- ❑ **Congress must remove 6-day delivery requirement from appropriations legislation**
- ❑ **6 months notice prior to implementation**
 - Conduct extensive communications with customers before implementation
 - Five-Day delivery website on *usps.com*



FIVE-DAY *delivery*

Home

Postal Regulatory
Commission Filing >>

Businesses >>

Households >>

Search five-day site

5-Day Delivery Study >>

Fast Facts & FAQs >>

5-Day at a Glance >>

Envisioning America's
Future Postal Service >>

Five-Day Delivery

In an increasingly digital world, the mailing habits and preferences of most Americans are changing – put simply, people are using the mail differently than they used to, and they are using it less often. Indeed, over the next ten years, the total amount of mail delivered is expected to drop steadily.

One of the ways that the United States Postal Service can adapt to lower volumes of mail delivered each year is to reduce the frequency of delivery. Specifically, the Postal Service is seeking the authority to transition to a Monday through Friday – or five-day – delivery schedule, which would include the following elements:

- There would be no changes to current delivery and pick-up services Monday through Friday.
- All Saturday deliveries to street addresses, collections and pick-ups would cease, except for Express Mail.
- Post Offices that are currently open on Saturdays would remain open on Saturdays.
- Delivery to Post Office Boxes would continue on Saturdays.
- Mail dropped off at Post Offices or in a collection box on Saturdays would be processed and cancelled on Monday.

At a time when the Postal Service is experiencing significant financial losses, and is projecting further declines in mail volumes, eliminating Saturday deliveries will save the Postal Service more than \$3 billion annually. These savings will help ensure that the Postal Service can continue to provide America with low-cost mailing products and services.

Gaining approval for a five-day delivery schedule would require a change in Federal law. The Postal Service is sharing information about its plans for such a transition to help household and business customers anticipate possible changes if Congressional approval is granted. These web pages contain some basic facts about the current status of Postal Service planning, guides for customers, and general information about a potential five-day delivery schedule.

Fast Fact

The volume of mail delivered by the Postal Service has dropped by more than the equivalent of one day of delivery, or by one sixth, over the past couple of years. Mail volume in 2007 was 212 billion pieces delivered, and it declined 16.4 percent by 2009 to 177.1 billion pieces delivered.



Your Questions?

**National Postal Forum
April 2010**