

EXPLANATION OF COST REDUCTIONS AND OTHER PROGRAMS

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PREFACE
EXPLANATION OF COST REDUCTIONS AND OTHER PROGRAMS

Description

This documents specific Cost Reduction Program savings and Other Program costs

Predecessor

This document performs the same role as LR K-49 in previous Postal Rate Case Proceedings.

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INTRODUCTION

THIS DOCUMENT SUMMARIZES THE MAJOR PROGRAMS AND MANAGEMENT INITIATIVES EXPECTED TO BE ACTIVE SINCE THE END OF FISCAL YEAR 2012 THROUGH THE END OF FISCAL YEAR 2014.

THE DISCUSSION OF THE PROGRAMS AND ACTIVITIES IS ORGANIZED INTO THE TWO GROUPINGS BRIEFLY DESCRIBED BELOW. PERSONNEL-RELATED AND NON-PERSONNEL RELATED EXPENSES ARE IDENTIFIED BY COST.

COST REDUCTION PROGRAMS ARE POSTAL SERVICE INITIATED-PROGRAMS THAT RESULT IN COST SAVINGS.

OTHER PROGRAMS ADD COSTS FOR INITIATIVES RELATED TO OPERATIONAL AND SERVICE IMPROVEMENT AS WELL AS SECURITY. COST INCREASES ASSOCIATED WITH COST REDUCTION PROGRAMS ARE INCLUDED IN OTHER PROGRAMS.

EACH OF THESE MAJOR PROGRAMS AND INITIATIVES IS SUBJECTED TO AN INTENSIVE REVIEW AND VALIDATION BY OUR INVESTMENT REVIEW AND APPROVAL PROCESS. DURING THE FORMULATION PHASE OF THE BUDGET PROCESS, AN ADDITIONAL CHECK IS PERFORMED ON ALL MAJOR PROGRAM ASSUMPTIONS. THIS STEP INVOLVES FIELD AND HEADQUARTERS EXECUTIVES WHO REVIEW THE PROGRAM SAVINGS/COST TARGETS AND RESOLVE ISSUES WITH THE PROGRAM MANAGERS OR SPONSORS. THESE STEPS ENSURE THE PLANNING ASSUMPTIONS USED IN FORMULATING PROGRAM EXPECTATIONS ARE REASONABLE AND ACCURATELY PORTRAY THE IMPACT A PROGRAM WILL HAVE ON THE POSTAL SERVICE'S FINANCIAL POSITION.

PROGRAM SAVINGS/COSTS REFLECT BOTH NEW PROGRAMS INITIATED IN THE CURRENT FISCAL YEAR AND PARTIAL YEAR SAVINGS/COSTS WHICH CARRYOVER FROM THE PREVIOUS FISCAL YEAR.

WORKYEAR SAVINGS/COSTS ARE ESTIMATED USING THE MOST APPROPRIATE METHODOLOGY FOR EACH PROGRAM. IN GENERAL, FOR MAJOR MAIL SORTATION EQUIPMENT DEPLOYMENTS, SITE-SPECIFIC DATA AND INFORMATION CONCERNING EQUIPMENT AND MAIL FLOWS ARE USED. FEED RATES, READ RATES, REJECT RATES, DENSITIES, FLOWS, ETC., FOR THE AFFECTED SORTATION OPERATIONS ARE ESTIMATED TO DERIVE NET WORKHOUR SAVINGS/COSTS. EQUIPMENT FIELD TEST DATA ARE ALSO USED IN ESTIMATING PROGRAM EXPECTATIONS. SOME TYPES OF PROGRAM SAVINGS/COSTS ARE CALCULATED USING ADDITIONAL ENGINEERING METHODS STUDIES AND MANAGEMENT'S JUDGMENT FROM PAST EXPERIENCE. SOME PROGRAMS SHOW LAG TIMES RANGING FROM ONE TO SEVERAL MONTHS BETWEEN THE DATE OF THE EQUIPMENT DEPLOYMENT AND THE REALIZATION OF FULL WORKHOUR SAVINGS/COSTS. WHENEVER POSSIBLE, THE DESCRIPTION IN SECTIONS 1 – 2 OF THIS LIBRARY REFERENCE POINT OUT SOME OF THE SITE-SPECIFIC INFORMATION THAT WAS TAKEN INTO ACCOUNT WHEN

CALCULATING THE PROGRAM SAVINGS. INDIVIDUAL SITE SAVINGS/COSTS ESTIMATES ARE AGGREGATED TO CALCULATE THE TOTAL NATIONAL PROGRAM COSTS/SAVINGS ESTIMATE.

THIS MEANS THAT THE CALCULATION OF SAVINGS/COSTS TAKES INTO ACCOUNT LOCAL, AND GENERALLY UNIQUE, CONDITIONS AT EACH SITE WHERE THE PROGRAM (OR EQUIPMENT) IS GOING TO BE DEPLOYED. FOR SOME OTHER PROGRAMS, LOCAL FACTORS DO NOT MATERIALLY IMPACT PROGRAM EXPECTATIONS AND AVERAGE SAVINGS/COSTS PER PROGRAM (OR EQUIPMENT) CALCULATIONS ARE UTILIZED. FOR THESE PROGRAMS, SAVINGS/COST PROJECTIONS ARE BASED ON NATIONAL AVERAGES RATHER THAN BEING SITE SPECIFIC.

A SUMMARY OF INCREMENTAL COST REDUCTIONS AND OTHER PROGRAM COSTS REFLECTED IN THE **PRODUCT COST & CONTRIBUTION ESTIMATION MODEL** ARE CONTAINED IN THE ATTACHMENTS.

SECTION 1

COST REDUCTION PROGRAMS DESCRIPTIONS

POSTAL AUTOMATED REDIRECTION SYSTEM (PARS4) - PHASE 4 (EN-38)

THE PARS PHASE 4 PROGRAM IS PROVIDING A SERIES OF SOFTWARE RELEASES AND HARDWARE UPGRADES THAT ARE EXPECTED TO PRODUCE THE FOLLOWING PARS PERFORMANCE IMPROVEMENTS:

- 6.6 PERCENTAGE POINT INCREASE IN UNDELIVERABLE-AS-ADDRESSED (UAA) INTERCEPT RATE
- 12.7 PERCENTAGE POINT INCREASE IN ADVANCED FORWARDING READER (AFR) INTERCEPT FINALIZATION RATE
- 19.3 PERCENTAGE POINT INCREASE IN AFR CARRIER IDENTIFIED FORWARD FINALIZATION RATE
- 6.9 PERCENTAGE POINT INCREASE IN AFR RETURN-TO-SENDER (RTS) FINALIZATION RATE
- 330 IMAGES PER HOUR INCREASE IN REMOTE ENCODING CENTER (REC) KEYING PRODUCTIVITY FOR UAA IMAGES
- ART ID PROCESSING OF DBCS INTERCEPTED MAIL (NUMBER OF CIOSS HANDLINGS IS REDUCED FROM 2 TO 1 FOR THIS MAIL)
- CIOSS REJECTS:
 - 0.4 PERCENTAGE POINT REDUCTION IN UAA REJECTS SENT TO CFS
 - 0.6 PERCENTAGE POINT REDUCTION IN RTS REJECTS SENT TO MANUAL OPERATIONS
 - 2.1 PERCENTAGE POINT REDUCTION IN NON-UAA REJECTS

ADVANCED FACER CANCELLER SYSTEM (AFCS) IMPROVEMENTS (EN-84)

THE ADVANCED FACER CANCELLER SYSTEM (AFCS) 200 PROGRAM PURCHASED AND DEPLOYED 550 AFCS 200 MACHINES, INCLUDING 542 OPERATIONAL SYSTEMS AND 8 TRAINING AND SUPPORT UNITS AS REPLACEMENTS FOR EXISTING LEGACY AFCS MACHINES THAT WERE FACING END-OF-LIFE ISSUES. DEPLOYMENTS WERE COMPLETED IN OCTOBER 2012. THE PROGRAM ALSO PROVIDES SERVICE-ORIENTED OPERATIONAL BENEFITS RELATED TO A REDUCTION IN AUTOMATION RE-HANDLINGS AND MANUAL DISTRIBUTIONS.

DISTRIBUTION QUALITY IMPROVEMENT (DQI3) – PHASE 3 (EN-37)

THE DQI PHASE 3 PROGRAM IS ENHANCING ADDRESS RECOGNITION TECHNOLOGY USED IN LETTER MAIL AUTOMATION EQUIPMENT. THIS IS THE THIRD PHASE OF AN INCENTIVE-BASED PROGRAM TO IMPROVE REMOTE COMPUTER READER (RCR) ENCODE RATES AND REDUCE ERROR RATES THROUGH THE USE OF A COMMERCIALY AVAILABLE NAME AND ADDRESS DATABASE. MINIMUM IMPROVEMENTS EXPECTED FROM THIS PROGRAM ARE A 2.3 PERCENTAGE POINT INCREASE IN RCR ACCEPT RATE, A 2.0 PERCENTAGE POINT INCREASE IN RCR FINEST DEPTH-OF-SORT (FDOS) AND A 0.72 PERCENTAGE POINT REDUCTION IN RCR ERROR RATES. ONLY TWO OF EIGHT PLANNED SOFTWARE RELEASES REMAIN, WITH THE FINAL RELEASE EXPECTED IN APRIL 2014.

TACS SHARED SERVICES HELP DESK (TACS)

THE TACS SHARED SERVICES HELP DESK (SSHD) IS A NEW OPERATIONAL UNIT CREATED WITHIN THE VICE PRESIDENT, CONTROLLER GROUP TO REPLACE THE WORK CURRENTLY PERFORMED AT THE FIELD LEVEL BY TIME AND ATTENDANCE CLERKS. THE TACS SSHD WOULD SUPPORT FIELD ACTIVITY USING THE USPS TIME AND ATTENDANCE COLLECTION SYSTEM (TACS).

THE TACS SHARED SERVICES HELP DESK WILL BE LOCATED AT THE EAGAN, MN INFORMATION TECHNOLOGY/ACCOUNTING SERVICES (IT/AS) FACILITY. IT WILL EMPLOY APPROXIMATELY 100 RSC-N (IT/AS) BARGAINING UNIT EMPLOYEES, LED BY A SMALL GROUP OF MANAGERS, SUPERVISORS AND ACCOUNTANTS. THE TACS HELP DESK WILL UTILIZE CURRENT STATE TECHNOLOGY TO MORE EFFICIENTLY PERFORM THE SUPPORT WORK PERFORMED IN THE FIELD.

NETWORK OPTIMIZATION

THE POSTAL SERVICE HAS SET ITSELF UPON A PATH TO IMPROVE ITS FINANCIAL STABILITY BY SUBSTANTIALLY LOWERING THE COSTS OF OPERATING ITS MAIL PROCESSING AND TRANSPORTATION NETWORKS. UNDER THE NETWORK OPTIMIZATION INITIATIVE, THE POSTAL SERVICE WILL REVISE SERVICE STANDARDS, ALLOWING THE POSTAL SERVICE TO STREAMLINE ITS MAIL PROCESSING AND TRANSPORTATION NETWORKS BY CONSOLIDATING OPERATIONS AND ELIMINATING A SIGNIFICANT NUMBER OF PROCESSING LOCATIONS. IN ORDER TO ACCOMPLISH THIS CHANGE THE POSTAL SERVICE WILL NEED TO RELOCATE AND REMOVE EQUIPMENT; MODIFY AND EXPAND FACILITIES; INSTALL, MODIFY, AND REMOVE MATERIAL HANDLING SYSTEMS; INSTALL AND MODIFY INFORMATION TECHNOLOGY INFRASTRUCTURE AND SOFTWARE; MODIFY, CANCEL AND CREATE TRANSPORTATION CONTRACTS; AND ADJUST STAFFING.

BY INSTITUTING SERVICE STANDARD REVISIONS THE POSTAL SERVICE WILL SIGNIFICANTLY IMPROVE THE EFFICIENCY OF AND LOWER THE COSTS OF ITS MAIL PROCESSING NETWORK. THIS WILL BE ACCOMPLISHED BY REDUCING BOTH THE NUMBER OF MAIL PROCESSING LOCATIONS THAT THE POSTAL SERVICE NEEDS AND THE AMOUNT OF MAIL PROCESSING EQUIPMENT AT THE REMAINING LOCATIONS.

DELIVERY OPTIMIZATION

A. DUO

DUO STANDS FOR DELIVERY UNIT OPTIMIZATION. IT IS A GUIDELINE DESIGNED TO INCREASE OPERATIONAL EFFICIENCIES BY RELOCATING DELIVERY OPERATIONS INTO CENTRALIZED FACILITIES WITHIN THE DISTRICT. DUO PROVIDES THE FIELD WITH TOOLS THAT CAN BE USED TO TRANSFER DELIVERY UNIT OPERATIONS FROM ONE UNIT TO A "HUB" OR "RECEIVING" UNIT. DUO PRACTICES ARE MANAGERIAL TOOLS DESIGNED TO FACILITATE COST EFFECTIVE INTERNAL TRANSFERS OF DELIVERY UNIT OPERATIONS. THE IMPLEMENTATION OF THESE TOOLS DOES NOT LEAD TO ANY MEANINGFUL IMPACT ON SERVICE PROVIDED TO CUSTOMERS.

RELOCATING LETTER CARRIERS TO A HUB INCREASES OPERATIONAL EFFICIENCIES ACROSS THE BOARD AND CONSIDERABLE SAVINGS ARE REALIZED IN ECONOMIES OF SCALE WITH REGARD TO TRANSPORTATION, CUSTODIAL, MAINTENANCE, LEASING AND COMPLEMENT.

B. BUSINESS MODE

THIS INITIATIVE PROVIDES CENTRALIZED DELIVERY EQUIPMENT TO EXISTING BUSINESS DELIVERIES CURRENTLY RECEIVING DOOR-TO-DOOR DELIVERY THAT VOLUNTARILY AGREE TO AFFECT A PERMANENT CHANGE FROM DOOR TO CENTRALIZED DELIVERY.

CURRENTLY, THE POSTAL SERVICE PROVIDES DAILY MAIL DELIVERY SERVICE TO OVER 131 MILLION DELIVERY POINTS NATIONALLY, BOTH HOMES AND BUSINESSES. CITY AND RURAL CARRIERS, AS WELL AS CONTRACTORS, DELIVER MAIL ON OVER 225,000 DELIVERY AND COLLECTION ROUTES UP TO 6 DAYS A WEEK. THERE ARE APPROXIMATELY 9 MILLION BUSINESS DELIVERIES, OF WHICH 5.6 MILLION, OR 62%, ARE SERVED DOOR-TO-DOOR. THIS INITIATIVE SEEKS TO STRATEGICALLY REALIGN THE POSTAL SERVICE DELIVERY INFRASTRUCTURE BY CONVERTING A PORTION OF THESE DOOR-TO-DOOR BUSINESS DELIVERIES TO CENTRALIZED DELIVERY THROUGH VOLUNTARY AGREEMENTS WITH BUSINESS CUSTOMERS AND BUSINESS PROPERTY MANAGERS.

C. DIRECTED MODE

DIRECTED MODE OF DELIVERY IS AN INITIATIVE WHERE THE USPS DIRECTS THE MODE OF DELIVERY FOR NEWLY ESTABLISHED OR EXTENDED DELIVERY LOCATIONS. THE USPS WILL DETERMINE WHAT MODE OF DELIVERY IS CORRECT FOR THE AREA BEING SERVED WHERE PREVIOUSLY THE OPTIONS BELONGED TO THE BUILDERS OR DEVELOPERS. THE USPS CAN AUTHORIZE ALL MODES OF DELIVERY AS WERE PREVIOUSLY AVAILABLE, DOOR, CURB LINE OR CENTRALIZED. THE USPS STILL MEETS WITH BUILDERS/DEVELOPERS TO DISCUSS MODES, LOCATIONS FOR EQUIPMENT'S, AND TIMELINES FOR DELIVERY TO BEGIN.

IT IS EXPECTED THAT MORE EFFICIENT MODES OF DELIVERY WILL BE USED IN EVER-INCREASING PERCENTAGES, HOWEVER WE HAVE NOT ELIMINATED MODES AND SEEK TO AFFECT DELIVERY IN THE MOST EFFICIENT AND CUSTOMER FRIENDLY FASHION FEASIBLE.

RETAIL OPTIMIZATION (Post PLAN)

THE POSTPLAN – POST OFFICE STRUCTURE PLAN – IS A MANAGEMENT INITIATIVE TO REVIEW POST OFFICES (POSTPLAN EXCLUDES STATIONS, BRANCHES AND ANNEXES) BY EXAMINING EARNED WORKLOAD AND TO REALIGN STAFFING AND RETAIL HOURS BASED ON THAT WORKLOAD. UNDER THE POSTPLAN, POST OFFICES WITH LOW WORKLOAD MAY CONTINUE TO OPERATE WITH HOURS ADJUSTED TO EARNED WORKLOAD. THE POSTPLAN INTRODUCES NEW STRUCTURAL CONCEPTS TO THE MANAGEMENT OF POST OFFICE INCLUDING:

- THE REMOTELY MANAGED POST OFFICE (RMPO), WHICH IS DEFINED AS AN OFFICE THAT REPORTS TO AN ADMINISTRATIVE POST OFFICE (APO). THERE ARE THREE LEVELS OF RMPOS. LEVEL 2 RMPOS WILL HAVE AN ADJUSTED EARNED WORK LOAD (AEWL) OF 0.00 HOUR TO 1.99 HOURS. LEVEL 2 RMPOS WILL OFFER WINDOW SERVICE HOUR FOR 2 HOURS PER WEEK DAY; SATURDAY HOURS WILL NOT CHANGE. LEVEL 4 OFFICES HAVE AN AEWL OF 2.00 TO 3.99 HOURS AND WILL OFFER WINDOW SERVICE HOURS FOR 4 HOUR PER WEEK DAY; SATURDAY HOURS WILL NOT CHANGE. LEVEL 2 AND LEVEL 4 RMPOS WILL BE STAFFED BY NON-CAREER PMRS. LEVEL 6 RMPOS HAVE AN AEWL OF 4.00 TO 5.74 HOURS AND WILL OFFER WINDOW SERVICE HOURS FOR 6 HOURS PER WEEK DAY; SATURDAY HOURS WILL NOT CHANGE. THE LEVEL 6 RMPOS WILL BE STAFFED BY CAREER, EPM EMPLOYEES.
- THE PART-TIME POST OFFICE (PTPO) IS DEFINED AS ANY OFFICE THAT WOULD NORMALLY QUALIFY AS AN RMPO, BUT IS BEYOND A 25 MILE RADIUS OF THE NEAREST APO, OR IS MORE THAN 25 DRIVING DISTANCE FROM THE NEAREST POST OFFICE. PTPOS WILL OFFER WINDOW

SERVICE HOURS FOR 6 HOURS PER WEEKDAY; SATURDAY HOURS WILL NOT CHANGE. PTPOs WILL BE STAFFED WITH CAREER, EPM EMPLOYEES. PTPOs REPORT TO DISTRICT OFFICES.

- THE APO, FOR PURPOSES OF POSTPLAN, IS AN EAS LEVEL 18 OR ABOVE POST OFFICE THAT HAS ONE OR MORE RMPOs REPORTING TO IT.
- APPROXIMATELY 13,200 POST OFFICES ARE IMPACTED BY THE POSTPLAN AND WILL HAVE THE ABOVE DESCRIBED CHANGES IN THEIR OPERATIONAL AND RETAIL SCHEDULES FROM NOVEMBER 2012 THROUGH SEPTEMBER 2014.

JOHN F. KENNEDY INTERNATIONAL SERVICE CENTER (JFK ISC) – FACILITY UPGRADES (EN-21)

THE FACILITY UPGRADES PROGRAM PERFORMED AT THE JOHN F. KENNEDY INTERNATIONAL SERVICE CENTER (JFK ISC) LOCATED AT THE JFK INTERNATIONAL AIRPORT. THE UPGRADE INCLUDED TRANSFER OF INBOUND MAIL PROCESSING OPERATIONS FROM THE JFK ISC TO NORTHEAST AREA FACILITIES, RELOCATION OF EQUIPMENT WITHIN BUILDING #250, INSTALLATION OF A NEW PARCEL SORTER, RELOCATION OF OPERATIONS FROM BUILDING #197 TO BUILDING #250, AND DE-POSTALIZATION OF BUILDING #197.

LABOR SAVINGS ARE BASED ON:

- MORE EFFICIENT PROCESSING OF INBOUND SMALL PARCELS AND ROLLS
- MORE EFFICIENT PROCESSING OF INTERNATIONAL EXPORT PRIORITY PARCELS
- REDUCED EQUIPMENT MAINTENANCE COSTS
- ELIMINATION OF CUSTODIAL AND BUILDING MAINTENANCE COSTS FOR JFK ISC BUILDING #197

AIR CARGO OPTIMIZATION

ON APRIL 23, 2013, THE UNITED STATES POSTAL SERVICE AWARDED FEDERAL EXPRESS CORPORATION (FEDEX) A SEVEN-YEAR AIR CARGO NETWORK CONTRACT TO PROVIDE DOMESTIC AIR TRANSPORTATION SERVICE FOR FIRST-CLASS, PRIORITY AND EXPRESS MAIL WITHIN THE CONTIGUOUS FORTY-EIGHT (48) STATES AS WELL AS NON-CONTIGUOUS AREAS THAT INCLUDE ALASKA, HAWAII, AND PUERTO RICO. THE CURRENT CONTRACT WITH FEDEX ENDS IN SEPTEMBER 2013, AND THE NEW CONTRACT WILL BEGIN IN OCTOBER 2013. THE NEW CONTRACT WITH FEDEX IS PROJECTED TO SAVE IN FISCAL YEAR 2014 COMPARED TO THE PREVIOUS AGREEMENT. THE AIR CARGO SERVICES UNDER THIS CONTRACT ARE DIVIDED INTO TWO MAJOR CATEGORIES:

- FEDEX DAY NETWORK: COVERS PRIORITY MAIL AND FIRST-CLASS MAIL NETWORK TUESDAY THROUGH SUNDAY.
- FEDEX NIGHT NETWORK: COVERS EXPRESS MAIL NETWORK MONDAY THROUGH FRIDAY.

CIOSS LABEL PRINTER REPLACEMENT PROGRAM (EN-109) ENGINEERING

THE COMBINED INPUT OUTPUT SUB-SYSTEM (CIOSS) LABEL PRINTER REPLACEMENT PROGRAM PURCHASED AND DEPLOYED NEW HIGH-SPEED ADDRESS PRINTERS FOR ALL 284 CIOSS MACHINES. THE EXISTING CIOSS PRINTER HAD HIGH FAILURE RATES, RESULTING IN HIGH RECURRING SPARE PARTS AND MAINTENANCE COSTS. THIS PROGRAM REPLACED THE EXISTING PRINTER, REDUCING LOGISTICAL SUPPORT COSTS.

THE SAVINGS EXPECTED FROM THIS PROGRAM OCCURRED IN THREE LOGISTICAL SUPPORT AREAS:

- REDUCTION OF SPARE PARTS COSTS.
- REDUCTION OF CIOSS MAINTENANCE TRAINING REQUIREMENTS; REDUCED FROM 14 DAYS TO 10 DAYS.

- REDUCTION OF PREVENTIVE AND CORRECTIVE MAINTENANCE.

AUTOMATED PARCEL AND BUNDLE SORTER (APBS) PROGRAM (EN-35) ENGINEERING

THE AUTOMATED PARCEL AND BUNDLE SORTER (APBS) PROGRAM PURCHASED AND DEPLOYED UPGRADES THAT CONVERTED 198 EXISTING SMALL PARCEL AND BUNDLE (SPBS) MACHINES INTO AUTOMATED PARCEL AND BUNDLE SORTERS. THE UPGRADES PURCHASED INCLUDED 194 OPERATIONAL SYSTEMS AND 4 TRAINING SYSTEMS. THIS PROGRAM ADDRESSES END-OF-LIFE CONTROL SYSTEM AND ELECTRONICS ISSUES, ADDED BARCODE READER (BCR) AND OPTICAL CHARACTER READER (OCR) TECHNOLOGY, AND MODIFIED THE SPBS INDUCTION STATIONS TO SUPPORT A NEW FACING OPERATION. THE BCR/OCR TECHNOLOGY AUTOMATES ADDRESS READING FOR MOST OF THE MAIL.

THE SAVINGS EXPECTED FROM THIS PROGRAM ARE DRIVEN BY THROUGHPUT AND PRODUCTIVITY IMPROVEMENTS THAT LOWER PROCESSING COSTS. THEY INCLUDE THE FOLLOWING:

REDUCED LDC 13 WORK HOURS REQUIRED TO SUPPORT PACKAGE AND BUNDLE PROCESSING OPERATIONS IN THE PLANTS THAT HAVE APBS MACHINES.

REDUCTION IN MAINTENANCE LABOR (LDC 36), PARTS, AND ENERGY COSTS BASED ON ELIMINATING 18 SPBS MACHINES THAT WILL NO LONGER BE NEEDED AT SITES RECEIVING THE APBS UPGRADE.

FLATS SEQUENCING SYSTEM (FSS) – PHASE 1 (EN-108)

THE FLATS SEQUENCING SYSTEM (FSS) SORTS FLAT-SIZED MAIL INTO DELIVERY SEQUENCE AT HIGH SPEEDS AND AT MUCH HIGHER PRODUCTIVITY THAN THE MANUAL PROCESSES. THE FSS PROCESSES FLATS FROM THE AFSM 100 AND UFSM 1000 MAIL STREAMS ALONG WITH A SIGNIFICANT AMOUNT OF CARRIER PRESORTED MAIL THAT IS NOT HANDLED WITH AUTOMATION EQUIPMENT.

THE PRODUCTION FSS MACHINE HAS 360 SORTATION BINS. FLAT MAIL PIECES ARE

PASSED THROUGH TWICE, RESULTING IN FLATS SORTED TO WALK SEQUENCE FOR EACH LETTER CARRIER. THE FSS PHASE 1 PROGRAM DEPLOYED 100 FSS MACHINES. DEPLOYMENT HAS BEEN COMPLETED, BUT ONE MACHINE (LOCATED AT THE LINTHICUM, MD IMF) IS CURRENTLY RESERVED FOR HQ USAGE AND NOT GENERATING OPERATIONAL SAVINGS.

SAVINGS OCCURRED IN CARRIER WORKHOURS (LDC 21/25), CARRIER SUPERVISOR HOURS (LDC 20), AND DELIVERY UNIT CLERK HOURS (LDC 43).

ADD ON INITIATIVES

THERE ARE TWO NETWORK OPERATIONS INITIATIVES THAT ARE PART OF THIS DRIVE SAVINGS PROGRAM: CUSTODIAL AND MAINTENANCE OPTIMIZATION.

THE OBJECTIVE OF THE CUSTODIAL INITIATIVE IS TO MODERNIZE THE USPS CLEANING PROGRAM BY IMPLEMENTING PROVEN ENGINEERING AND SCIENTIFIC CLEANING METHODS THAT WILL RESULT IN FUNCTION 3B LABOR SAVINGS AND MORE EFFICIENT CLEANING PROCESSES. THIS PROJECT WILL BE CONSISTENT WITH THE USPS COMMITMENT TO MAINTAIN ACCEPTABLE LEVELS OF CLEANING BY PROVIDING HEALTHFUL WORKING ENVIRONMENTS FOR WORKERS AND BUILDING OCCUPANTS.

THE MAINTENANCE OPTIMIZATION INITIATIVE PROVIDES A REVISION TO THE PREVIOUS STAFFING MODEL FOR MOS CLERKS IN AN EFFORT TO SAVE FUNCTION 3B LABOR COSTS THROUGH SALARIED AND HOURLY MOS CLERK POSITIONS.

TREND ADJUSTMENTS

TREND ADJUSTMENTS REFLECT ADJUSTMENTS MADE ON AN ONGOING BASIS TO BETTER ALIGN AGGREGATE FUTURE SAVINGS OR COST EXPECTATIONS TO THE MOST RECENT ACTUAL SAVINGS/COSTS RESULTS.

SECTION 2

OTHER PROGRAMS DESCRIPTIONS

OTHER PROGRAMS REFLECTS THE OFFSETTING COST ASSOCIATED WITH COST REDUCTION PROGRAMS. THE PROGRAMS SHOWN BELOW ADD COSTS AS WELL AS GENERATE SAVINGS. FOR THE PROGRAM DESCRIPTION, SEE SECTION 1, COST REDUCTION PROGRAMS DESCRIPTIONS.

DELIVERY OPTIMIZATION

NETWORK OPTIMIZATION

ADD-ON INITIATIVES

TREND ADJUSTMENTS

THE COST FOR PASS, WHICH IS DESCRIBED BELOW, HAS NO CORRESPONDING COST REDUCTION PROGRAM.

PASSIVE ADAPTIVE SCANNING SYSTEM (PASS) - PHASE I (EN-39)

THE PASSIVE ADAPTIVE SCANNING SYSTEM (PASS) IS AN INTEGRATION OF CENTRALIZED ENTERPRISE INFORMATION SYSTEMS, REMOTE IMAGE COLLECTION AND ENCODING, AND DECENTRALIZED DELIVERY UNIT PASS CARTS WITH IMAGING AND POSTAGE ASSESSMENT CAPABILITIES. PASS'S PRIMARY GOAL IS THE CAPTURE OF ARRIVAL-AT-UNIT (AAU) TRACKING SCANS, REVENUE PROTECTION, RECLAIM, OR POSTAGE DUE FOR PACKAGES, AND ROUTING FEEDBACK FOR DISTRIBUTION OPERATIONS.

PASS'S TOTAL REVENUE PROTECTION (TRP) SUPERCOMPUTING SYSTEM PERFORMS BACKEND ANALYTICS FOR DETECTION OF SHORTPAID AND DUPLICATE INFORMATION-BASED INDICIA (IBI) POSTAGE AND ACTS AS A CENTRALIZATION NODE TO ALL OTHER ENTERPRISE PASS ACTIVITIES. SPECIFIC TO EN-39, PASS ALSO PERFORMS SHORT PAID ANALYSIS AND REVENUE RECLAIM OR POSTAGE DUE ON INTERCEPTED PACKAGES BY USE OF THE POSTAGE ASSESSMENT TOOL (PAT). DUPLICATION OF IBI'S PRESENT A UNIQUE REVENUE PROTECTION SHORT PAID AND REQUIRES VISUAL VERIFICATION BY

REMOTE ENCODING CENTER (REC) KEYERS.

SECTION 3

ATTACHMENTS

WORKHOUR, WORKYEAR, & DOLLARS SAVINGS AND COSTS

ATTACHMENT A - FY 2013 COST REDUCTION PROGRAMS BY PROGRAM BY COST SEGMENT

ATTACHMENT B - FY 2013 OTHER PROGRAMS BY PROGRAM BY COST SEGMENT

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