United States Postal Service 2013 Annual Report to Congress

FY2013 Annual Performance Report and FY2014 Performance Plan

FY2013 Comprehensive Statement on Postal Operations

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The year in review

Financial Highlights

(dollars in millions)	Years ended Sept. 30			Percent change from preceding year		
	2013	2012	2011	2013	2012	2011
Operating revenue	$ 67,318	$ 65,223	$ 65,711	3.2%	(0.7%)	(2.0%)
Operating expenses*	$ 72,128	$ 80,964	$ 70,634	(10.9%)	14.6%	(6.4%)
Net interest expense	$ 167	$ 165	$ 144			
Net loss	$ (4,977)	$ (15,906)	$ (5,067)			
Purchases of capital property and equipment	$ 667	$ 705	$ 1,190	(5.4%)	(40.8%)	(14.6%)
Debt	$ 15,000	$ 15,000	$ 13,000			
Capital contributions of U.S. government	$ 3,132	$ 3,132	$ 3,132			
Deficit since reorganization	$ (42,955)	$ (37,978)	$ (22,072)			
Total net deficiency	$ (39,823)	$ (34,846)	$ (18,940)			
Number of career employees	491,017	528,458	557,251	(6.7%)	(5.2%)	(4.6%)
Mail volume (pieces in millions)	158,384	159,835	168,297	(0.9%)	(5.0%)	(1.5%)
New delivery points served	773,882	654,560	636,530			

** Due to the passage of P.L. 112-33 which changed the due date of the scheduled PSRHBF prefunding payment of $5.5 billion originally due by Sep. 30, 2011 into 2012, PSRHBF expenses were zero in 2011. As a result, total PSRHBF expenses in 2012, including the previously scheduled prefunding payment of $5.6 billion due by Sep. 30, 2012, were $11.1 billion.*

Rising to the Challenge.

Flexible strategies, solid values

For more than 235 years, the Postal Service has lived by its unofficial creed: “Neither snow nor rain nor heat nor gloom of night stays these couriers from the swift completion of their appointed rounds.” Today, we’re addressing our challenges and making big changes, but our core values remain the same.

Trusted. More than 200 federal laws protect the sanctity of the mail. These laws are enforced by the Postal Inspection Service, which safeguards the Postal Service and its customers.

Reliable. The Postal Service is the only delivery service that reaches every address in the nation: 152,920,433 million residences, businesses and Post Office Boxes. No single operation in the world comes close to matching this level of connectivity.

Affordable. Mail is a great value. For less than 50 cents, anyone can send a letter to anywhere in the nation. We deliver mail across the country, across the street, across the Grand Canyon and across all 50 states for the same low price.

Mickey D. Barnett, Chairman, U.S. Postal Service Board of Governors

Patrick R. Donahoe, Postmaster General and Chief Executive Officer

Trusted. Reliable. Affordable.

Delivering for America, and Delivering Strong Results in 2013

The theme of this year's annual report — Trusted, Reliable, Affordable — reflects the basic promise the Postal Service makes to the millions of customers it serves on a typical day. We delivered more than 158 billion packages and pieces of mail to almost 153 million delivery points throughout 2013. We did so reliably and affordably, and we strove continually to earn the trust of the American public by maintaining the privacy and security of the items we delivered.

Our customers place great faith in the ability of the Postal Service to deliver for them, both in the literal delivery of mail and packages, and in the larger sense as an organization that is adapting and changing to better meet America's evolving delivery needs.

We made great strides in 2013 to speed the pace of innovation, to improve our competitive posture by offering great new products, to lower our cost base and stabilize a systemic financial imbalance. And we did so against a backdrop of great change in technology use and consumer habits, and of rapidly rising expectations for delivery services.

Our achievements — despite challenging marketplace conditions and an inflexible business model — were the result of a relentless organization-wide focus on the implementation of our strategic business plan.

Despite the limitations and inflexibility of the current Postal Service business model, the Postal Service substantially cut its operating loss, from $2.5 billion in 2012, to $1.0 billion in 2013. In 2013 we increased revenue by almost $800 million, excluding the effect of the one-time, non-cash change in accounting estimate. This was about $1.1 billion better than planned. At the same time we achieved our expense plan, reducing expenses by approximately $900 million, despite higher-than-planned mail and package volume. However, a $1.0 billion operating loss — and a $5.0 billion net loss — is still very bad news. This underscores our need for comprehensive legislation to repair our broken business model.

To improve efficiency and reduce costs, we consolidated 143 mail-processing facilities, eliminated 1,847 delivery routes, and modified retail hours to two, four, or six hours in 7,985 offices to better align with customer demand. We also reduced the size of our career workforce by more than 37,400 employees during the year through a responsible and measured process of attrition.

In 2010 we launched flat rate pricing for our Priority Mail lineup, which has sustained exceptional growth for the past several years. And due to strong marketing and sales efforts this past year, we recorded an 8 percent increase in our package delivery business, which equates to $923 million in additional revenue. We built upon that success and met the growing demand for our package delivery services by introducing a compelling new Priority Mail offering that includes free insurance, improved USPS Tracking™ and day-specified delivery. As a result of the immediate popularity of this new offering, we expect to continue building upon the momentum in this product category in 2014.

Innovations continue to drive growth. A new product such as Every Door Direct Mail — which lets local businesses reach the neighborhood customers that matter most to them — was launched in 2011 and is an excellent way to introduce new customers to the mail. To create similar success stories, the Postal Service is investing in a wide array of new products and services, including digital solutions that can significantly enhance the value of mail for both the sender and receiver. These successes and others — like the introduction of our "Second Ounce Free" promotion for commercial mailers — have helped slow the overall decline in First-Class Mail.

We also leveraged technology investments to enable end-to-end scanning across 95 percent of our network, giving our customers increased visibility and tracking capability as their mail moves through our system from entry to destination. These data and technology investments are enabling further innovations that will deliver compelling value to our customers.

We continued to meet customer expectations of convenience by expanding U.S. postal services in the places people visit every day, such as supermarkets and pharmacies, or on our mobile application or *usps.com*. We also increased the number of small businesses that operate Village Post Offices and sell stamps and popular shipping products throughout rural America.

And while enhancing delivery remains our core function, service remains at the core of our mission. Our on-time delivery scores across most of our product lines are at all-time highs, which is a testament to an exceptionally dedicated workforce.

In the aftermath of Hurricane Sandy, which devastated many areas along the coast in New York and New Jersey, Postal employees played a vital role in the quick return to normalcy by ensuring that needed mail, packages, and basic relief services were being delivered almost immediately. Our employees contended with floods and forest fires, and all manner of severe weather, and consistently performed at a high level in meeting the needs of America's communities.

It is upon this foundation of innovation and service that the future of the Postal Service is being built. If given additional flexibility and authority under the law to fully meet America's evolving mailing and shipping needs, the Postal Service can have a bright future for the coming decades.

Our operational achievements in 2013, are impressive and argue well for a strong future, but they cannot overcome the impacts of a broken business model. The Postal Service recorded a net loss of $5.0 billion in 2013 and will continue to face serious financial challenges. The Postal Service must gain comprehensive legislation that closes an estimated $20 billion budget gap by the year 2017 to avoid becoming a permanent burden to the American taxpayer.

Fortunately, as we believe this annual report demonstrates, the Postal Service has mapped out a responsible, common-sense path to financial stability that will enable it to continue serving as an engine of economic growth, and a trusted, reliable, and affordable delivery partner far into the future.

Patrick R. Donahoe
Postmaster General and Chief Executive Officer

Mickey D. Barnett
Chairman, Board of Governors

The challenges we face

Why is the Postal Service making so many changes? Because the way people communicate is evolving.

Today, when people need to pay a bill or get in touch with a loved one, they reach for their mobile device or laptop. This has affected single-piece First-Class Mail, traditionally one of our major sources of revenue. In 2003, we processed 49 billion pieces of single-piece First-Class Mail, but by 2013, that figured had dropped to 22.5 billion pieces.

Other factors have affected the Postal Service too, including a 2006 law that requires us to pay more than $5 billion each year to "pre-fund" the health care costs of future retirees.

The Postal Service is eager to adapt to the changing needs of our customers, although some of these issues are easier to address than others. For example, First-Class Mail volumes are unlikely to return to previous levels, so we have to shift our resources to areas where we can best serve our customers, such as our growing package business.

We're asking Congress to help us deal with the other matters. To learn how lawmakers can help, see page 23.

Change is Happening.

Today's choices, tomorrow's success

The Postal Service delivers 523 million mail pieces and picks up 727,167 packages on a typical day.

The Postal Service is making big changes. We're building on our strengths, seizing new opportunities and addressing our challenges. America is counting on us — and we're going to keep delivering.

Last year, we continued to implement the updated five-year comprehensive business plan we adopted in 2010. The plan aims to return the Postal Service to financial stability, preserve the affordability of mail and allow us to more readily adapt to a dynamic marketplace.

This is our vision — and how we're achieving it.

Putting customers first

The Postal Service goes where its customers go. You'll find our products and services online and at your neighborhood Post Office, as well as many places people visit every day, including convenience stores, drug stores and supermarkets — even gas stations.

We mean business

The Postal Service visits every address in the nation, making us a valuable resource for America's businesses. We help companies grow by putting useful information about their products and services directly into the hands of consumers.

Growing stronger

With more consumers shopping online, the Postal Service wants to become America's shipper of choice. We have the people, the network and the logistical expertise to deliver online orders to every address in the nation.

Fresh approaches

The Postal Service isn't just working harder; we're working smarter too. We're developing new products and services, including a system that will allow users to conduct secure transactions with federal websites.

SELF-SERVICE
SHIP PACKAGES
MAIL LETTERS
UPGRADE SERVICES
BUY POSTAGE STAMPS
RENEW YOUR PO BOX
SCAN AND PAY FOR PRODUCTS
SCAN AND PAY HERE
PAY FOR GREETING CARDS, SHIPPING SUPPLIES AND MORE
Welcome
SIMPLICITY AND PRIORITY FOR ALL
Please touch the screen to begin
Por favor toque la pantalla para comenzar
SCALE
UNITED STATES POSTAL SERVICE.
SCANNER
RECEIPT
LABELS
POSTAGE

Putting Customers First.

Excellent service is our priority — always

USPS.com *receives more than 1 million visitors each day, making it one of the world's most frequently visited government websites.*

Online and everywhere

Doing business with the Postal Service online has never been easier.

In 2013, we improved our retail website, *usps.com*, making it easier for anyone to ship packages, send mail and buy stamps. We also introduced more multilingual features so customers can conduct transactions in the language they prefer.

Additionally, we upgraded our mobile application, which allows users to find nearby mailboxes and Post Offices, track packages and look up ZIP Codes.

Technology: a tool to serve

More Post Offices are putting technology to work for their customers.

The Postal Service has self-service kiosks in more than 2,300 locations across the nation, and in a pilot program, several locations introduced a new generation of kiosks in 2013. Now, if customers enter these Post Offices and find the line is long or the counter is closed, they can use the kiosks to buy stamps, ship packages and send mail. The machines are easy to use and feature bright, larger touch screens, a scanner for pricing greeting cards and a scale to weigh packages.

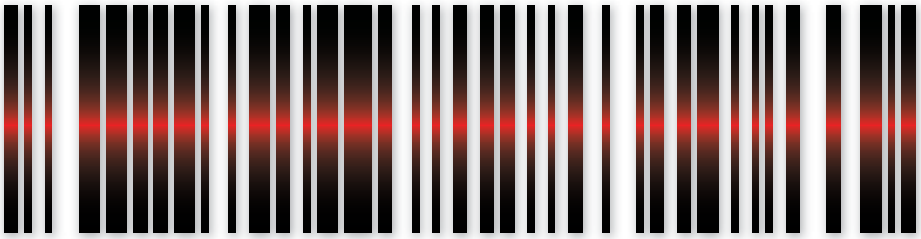
Post Offices continue employing technology in other ways too. Many busy locations use webcams to monitor wait times; when the lines get too long, supervisors may dispatch more clerks to open additional windows.

It takes a village

In 2013, the Postal Service opened 338 Village Post Offices, which are located inside convenience stores, markets and other neighborhood businesses.

Village Post Offices offer the most popular Postal products and services, including PO Boxes, Forever stamps and prepaid shipping envelopes. Often, the hours are longer than regular Post Offices, making Village Post Offices a convenient option for customers.

Forty states now have at least one Village Post Office. The Postal Service plans to open more in 2014.



Raising the bar(code)

The Postal Service continues to work hard to make it possible for customers to "see" their mail as it moves through our system.

Our goal is to ensure every piece of mail contains a barcode so we can scan it and provide enhanced visibility to the public. We'll transmit this data online so senders and receivers alike can track their mail pieces.

The Postal Service has deployed more than 173,000 wireless Intelligent Mail Devices that regularly transmit scanning information to the Postal network. This allows customers to check on where their mail pieces are in the mail stream, virtually in real time.

In addition to adding value to the mail and better equipping us to compete in the marketplace, our scanning success will also help us improve logistics and become more efficient.

Here to help

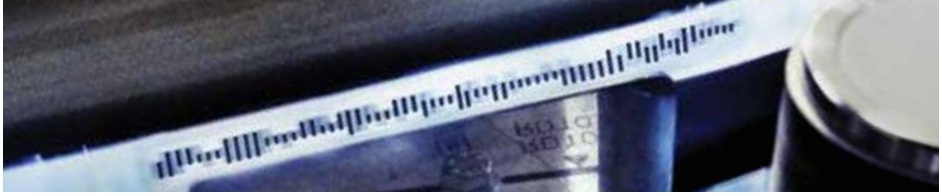
To better serve the public, the Postal Service has opened three Customer Care Centers since the fall of 2012.

The centers receive calls to 1-800-ASK-USPS, our national customer care line. Calls are handled by knowledgeable employees who are trained to answer questions and offer useful tips and suggestions.

In 2013, the Postal Service also continued to improve employee training programs to emphasize the importance of being friendly, courteous and helpful.

Scanner
USPS TRACKING #
9405 5036 9930 0200 0347 77
Added:
PRIORITY MAIL 2-DAY
PRIORITY MAIL
DATE OF DELIVERY SPECIFIED
USPS TRACKING™ INCLUDED
INSURANCE INCLUDED

1/2 OFF
2ND
CHAIR!
LAMMER CHAIR SALE!
ONLY!!
1/2 OFF



We Mean Business.

Boosting bottom lines through mail

Making innovation pay

The Postal Service is using technology to help businesses make their mail more engaging and interactive.

Throughout 2013, we gave postage discounts to businesses that use digital technology in their marketing campaigns. For example, businesses received a 2 percent discount on postage for commercial Standard Mail and First-Class Mail letters and flats that included a mobile barcode that could be read or scanned by a mobile device. More than 620 million mail pieces were part of this promotion in just two weeks.

We also helped businesses integrate mobile coupons and click-to-call technology into their direct mail. When consumers scan these codes with a mobile device, they are taken to a coupon or deal on their phone, or are connected to the business through a phone call.

The Postal Service also continued to offer our Second Ounce Free service, which allows businesses to insert promotional pieces in their bills and correspondence at no extra charge.

Targeting customers

It's never been easier to use Every Door Direct Mail service, which allows companies to choose which customers will receive mail about their products and services.

We enhanced several features of the service last year, including an online mapping tool that helps businesses select the neighborhoods, cities and ZIP Codes they wish to target. Users can pay online or at a Post Office for their mailing.

Since we launched Every Door Direct Mail in 2011, it has become one of our most popular products, especially among retailers and merchants who use it to put coupons, menus and promotional calendars in the hands of potential customers.

A reputation for trust

The Postal Service ranked as the nation's fifth most trusted company and the most trusted government agency in a 2013 study by the Ponemon Institute, the nation's leading researcher on privacy, data protection and security.

The survey asked consumers to name as many as five companies they believe to be the most trusted to protect the privacy of their personal information. Questions ranged from factors creating trust in the company and the levels of confidence consumers have in the company to protect their information to limiting the amount of information collected.

The annual study has ranked the Postal Service as the most trusted government agency for the past 7 years, but its fifth-place finish on the list of most trusted companies is the Postal Service's highest yet.

Getting the job done

The Postal Service depends on an astonishing network of people and technology to collect, transport, process and deliver the nation's mail. We take pride in our ability to get the job done.

The dedication of Postal Service employees could be seen throughout Hurricane Sandy, which slammed the East Coast in October 2012. Letter carriers did their best to deliver as much mail as possible throughout the storm, consistent with safety guidelines.

The spirit of the Postal Service also can be seen in "Systems at Work," an exhibit at the Postal Museum in Washington, D.C., that uses objects, graphics and multimedia features to showcase the people and machines whose daily work keeps the mail moving.

The Postal Service takes pride in celebrating the achievements of other hard workers too. In 2013, we issued "Made in America: Building a Nation," a sheet of Forever stamps that honor the efforts of early 20th-century industrial workers.

In 2013, we introduced "Priority: You," an advertising campaign that reminds customers that the Postal Service delivers everywhere, not just to convenient locations. "We'll never stop delivering for every person in this country," one ad concludes, with employees declaring, "We are the United States Postal Service, and Our Priority Is You™."

Getting the Job Done.

The people and the technology

Focus on convenience

In 2013, the Postal Service continued to test ***gopost***™, its electronic parcel locker that allows customers to visit convenient locations to pick up or ship packages.

Customers who prefer to receive packages away from home — or who want them delivered to a secure alternate location when no one is home to receive them — can have them delivered directly to a self-serve ***gopost***™ locker. An email or text message notifies them when their packages are delivered to the locker.

A customer also can send packages by logging on at the kiosk screen, scanning their prepaid package labels and depositing the packages in an empty locker. There's no cost to use the kiosks, and most are available 24/7.

Priority: You

The Postal Service's revenue from shipping and packages has surged 17 percent during the past 2 years. To capitalize on this growth, we made major changes to our lineup of Priority Mail products and services in 2013.

With Priority Mail, customers receive improved tracking and day-specific delivery, so they'll know whether to expect delivery in 1, 2 or 3 days. Also, insurance is included at no extra charge for barcoded Priority Mail packages.

To simplify our product offerings, Express Mail was renamed Priority Mail Express™. It remains our fastest domestic product, which offers overnight delivery to most locations and includes up to $100 of insurance coverage.

Making mail more competitive

The Postal Service is working with our customers in the business world to make mail more competitive with other marketing channels.

We're encouraging businesses to make direct mail campaigns more personally relevant, more actionable, more functional and more creative.

Our goal is to create:

- Mail that allows people to use their smart devices to interact with it.
- Mail that engages the receiver because it has been personalized with data specific to the receiver.
- Mail that reduces the number of steps to make a purchase — like a postcard or catalog that allows the user to quickly make a purchase in one or two clicks.
- Mail that's vibrant, colorful and attracts attention.

Making same-day delivery a reality

To better serve busy customers, the Postal Service pilot tested Metro Post service, a same-day delivery service in San Francisco, CA, during 2013.

With Metro Post, consumers can order products from participating retailers and have them delivered by the Postal Service later that day. If customers buy merchandise by 2 p.m., we generally deliver it between 4 and 8 p.m.

The participating retailers offer a range of products, including flowers, gift baskets and gourmet treats. The Postal Service will evaluate results of the test to decide whether and how to continue the service.

Expanding our reach

In 2013, the Postal Service joined forces with eBay on a new Postal Store.

The new site, *ebay.com/stamps*, sells stamps and other Postal Service-related merchandise. Our goal: to expand our reach to more domestic and international customers.

Also in 2013, the Postal Service began auctioning items from the Postmaster General's collection on eBay. The collection, which began in the 1860s, has grown to include 30,000 items, including one-of-a-kind stamps and original stamp artwork. To preserve the collection, only duplicate items will be auctioned on the site.

Fresh Approaches.

New ideas for the future

Maintaining access

The Postal Service is making sure communities continue to have access to our products and services as we right-size our Post Office network to reflect the nation's current use of our services.

Since 2012, we've transitioned 7,985 offices to 2-hour, 4-hour and 6-hour periods of operation each day. Our goal: to keep these Post Offices open and help communities maintain services they're accustomed to receiving. So far, these changes have saved us $171 million in annual costs.

We've held more than 8,400 meetings with community members to discuss the new hours of operations, as well as alternatives. Communities also can ask for services to be transitioned to a nearby Post Office, or they may use rural carriers or highway contract routes.

Keeping mail affordable

The Postal Service is adjusting its size to align with our customers' needs to keep mail affordable. This means making better use of space, staffing, equipment and transportation.

After peaking in 2006, mail volumes have declined by over 25 percent since then, so we don't need as many mail processing facilities as we once did. We've consolidated more than 350 mail processing facilities since 2006.

We've also consolidated or reduced 19,549 delivery routes during the past few years, including 1,847 in 2013. This reduces gasoline costs, as well as wear and tear on Postal Service vehicles.

Secure digital solutions

The Postal Service is bringing its strengths to the digital world. Our goal: to make sure customers can conduct secure digital communications and business transactions.

We're developing a system that will help users establish secure digital identities, the foundation for privacy and trust in the digital realm. To achieve this, we're drawing upon our reputation for trust: The Postal Service is the nation's fifth most trusted company and the most trusted government agency, according to the Ponemon Institute, the nation's leading researcher on privacy, data protection and security.

The Postal Service's digital efforts will also leverage the expertise of the Postal Inspection Service, one of the nation's oldest federal law enforcement agencies, as well as our own world-class computer network.

We've cut our facility energy use more than 30 percent since 2003.

One of our first initiatives will benefit individuals and one of our largest clients — the federal government. The Federal Cloud Credential Exchange is part of the federal government's vision of making its online transactions safer, faster and more private. It's a solution that will make it easy for individuals to use their credentials from an approved external service to log in to federal websites. The exchange will streamline digital authentication and reduce the costs to maintain user credentials — while providing a secure, easy-to-use way for individuals to access government websites. In fiscal 2013, the Postal Service was selected as the "Operating Entity" for the exchange and competitively awarded the technology contract. Fiscal 2014 is focused on implementing the technical solution, launching the program and evaluating the success. The exchange effort is a joint effort with the White House and federal agencies.

Additional products and services in development will support:

- The needs of individuals seeking a trusted digital identity provider. U.S.-based customers already enjoy a trusted relationship and knowledge of the Postal Service, and can feel confident that governance to protect their personal information is already in place. Additionally, we will address the need for accessibility to all users (including unbanked and under banked).
- Digital messages with enhanced security that will provide sender authentication, content integrity, and a time and date stamp service that provides proof of a digital message existing at a specific point in time.
- A top-level, secure electronic domain on the Internet that can serve the needs of the global postal community.
- And, finally, easy-to-use digital services specifically for our employees and our retirees.

Going green, saving green

The Postal Service is saving green by going green.

We've decreased energy use at our facilities by 34 percent since 2003. We did this through a combination of energy audits, improvements to facility infrastructure and by mobilizing employee-led Lean Green Teams throughout the Postal Service. The same approach has resulted in a 38 percent reduction in water consumption since 2007.

Since 2008, we've also cut our greenhouse gas emissions by 9.9 percent, or 1.3 million metric tons. This is roughly equivalent to removing 270,000 passenger vehicles from the road each year. We've diverted 48 percent of solid waste to recycling. This generated $23.8 million in revenue and savings of $25 million through reduced waste hauling.

The Postal Service works with the communities we serve to reduce our impact upon the environment. Through a collaborative effort funded by Onondaga County, NY, a “green roof” was installed at the Colvin-Elmwood Post Office in Syracuse, NY. The roof will reduce the amount of contaminants in storm water runoff flowing into the city’s municipal water system.

The Postal Service also seeks to assist our customers in achieving their own environmental initiatives. We launched the USPS Blue Earth™ Product Carbon Accounting Service to provide our large commercial customers with carbon emission reports based on their mailings.

The Postal Service’s sustainability program supports our goal to provide reliable, affordable mail delivery for our customers with minimal impact on the environment.

NBC
BAY AREA

What's Next.

A 21ST century Postal Service

The Postal Service receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund our operations.

The Postal Service is dilligently working with Congress to keep our momentum going. We're asking lawmakers to give us permission to make the following changes, which are essential to our ability to continue serving our nation:

- A smarter delivery schedule. To better meet the needs of today's customers, we want to deliver packages Monday through Saturday and mail Monday through Friday. Under our plan, if Post Offices are currently open on Saturdays, they'll remain open on Saturdays.
- Greater control over our personnel costs. The Postal Service wants to establish a separate pool of health plans within the Federal Employee Health Benefits program. This will result in significant cost savings. We also need to create a new retirement plan for future employees, and we're asking the government to refund the money we overpaid into one of our pension funds, the Federal Employees Retirement System.
- More flexibility in pricing and products. Currently, the Postal Service must seek permission before we can create products, introduce services and adjust prices. This slows down our ability to adapt to changes in the marketplace. To become more competitive, we need the flexibility to create, price and implement products and services.

The bottom line: The Postal Service is ready to make the changes necessary to keep delivering for America. We just require the authority to make it happen.

The Board of Governors.

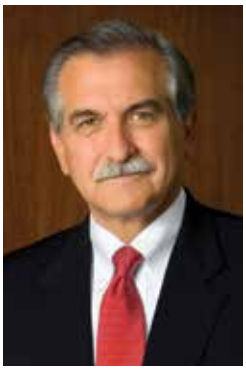
The United States Postal Service

Mickey D. Barnett

Chairman of the Board of Governors since December 2012. Vice Chairman of the Board of Governors, 2011. Member of the Audit and Finance Committee and the Compensation and Management Resources Committee. Attorney in Albuquerque, New Mexico. Former member, New Mexico State Senate. Former member, Appellate Nominating Commission for the New Mexico Supreme Court and the Court of Appeals Nominating Commission. Former legislative assistant to Senator Pete Domenici of New Mexico.

James H. Bilbray

Vice Chairman of the Board of Governors since December 2012. Member of the Audit and Finance Committee and the Compensation and Management Resources Committee. Attorney at the law firm of Kaempfer Crowell Renshaw Gronauer & Fiorentino in Las Vegas, Nevada. Former member, U.S. House of Representatives from Nevada. Former member, Nevada State Senate. Former Deputy District Attorney in Clark County, Nevada. Member of 2005 Defense Base Closure and Realignment Commission.



Louis J. Giuliano

Past Chairman of the Board of Governors, 2010 and 2011. Vice Chairman of the Board of Governors, 2009. Chairman, Audit and Finance Committee and Operations Subcommittee, and member, Compensation and Management Resources Committee. Former Chairman of the Board of Directors, Chief Executive Officer and President of ITT Corp. Senior Advisor to The Carlyle Group. Member of the Board of Accudyne Industries and Chairman of the Board of Meadowkirk Retreat Center. Active member of the CEO Forum and the Advisory Board for the Princeton University Faith and Work Initiative and a Founder of Workforce Ministries. Prior Board positions include Engelhard Corp., ServiceMaster and JMC Steel Group.

Dennis J. Toner

Chairman of the Governance, Regulatory and Strategic Planning Committee. Member of the Audit and Finance Committee, and member, Operations Subcommittee. Founder and principal since 2006 of Horizon Advisors, a private consulting business which provides guidance and strategic planning to private clients and non-profit organizations and maintains a professional resource network intended to advise and promote dialogue among the public, private and non-profit sectors. Deputy Chief of Staff to then-Senator and now-Vice President Joseph Biden, Jr., from 1995 to 2005.

Ellen C. Williams

Chairman of the Compensation and Management Resources Committee and a member of the Audit and Finance Committee. Partner in MML&K, a government relations firm with offices in Frankfort, KY and Washington, DC. Former owner and CEO of Capital Network. Former Vice Chairman of the Kentucky Public Service Commission from 2004 to 2005. Former Commissioner of the Governor's Office for Local Development in Kentucky from 2005 to 2006. Former Chairman of the Republican Party of Kentucky from 1999 to 2004. Former executive assistant to Senator Bob Kasten.

Patrick R. Donahoe

73rd Postmaster General and Chief Executive Officer since December 2010 and a member of the Board of Governors since April 2005. Deputy Postmaster General and Chief Operating Officer from April 2005 until December 2010. Chief Operating Officer and Executive Vice President during the years 2001 to 2005. Senior Vice President, Operations from February 2001 to September 2001.

Ronald A. Stroman

20th Deputy Postmaster General and member of the Board of Governors of the United States Postal Service since April 2, 2011. Served as Staff Director, Committee on Oversight and Government Relations at the U.S. House of Representatives, from 2009 to April, 2011. Prior to this, served as Managing Director, Office of Opportunity and Inclusiveness, U.S. General Accounting Office, from 2001 to 2009.

The Board of Governors

As the governing body of the Postal Service, the 11-member Board of Governors has responsibilities comparable to the board of directors of a publicly held corporation. The Board is made up of nine Governors appointed by the President of the United States with the advice and consent of the Senate. No more than five Governors can be members of the same political party. The Board currently has four seats vacant.

The other two members of the Board are the Postmaster General and the Deputy Postmaster General. The Governors appoint the Postmaster General, who serves at their pleasure without a specific term of office. The Governors, together with the Postmaster General, appoint the Deputy Postmaster General.

The Executive Leadership Team.

The United States Postal Service

Patrick R. Donahoe
Postmaster General and Chief Executive Officer

Ronald A. Stroman
Deputy Postmaster General

Megan J. Brennan
Chief Operating Officer and Executive Vice President

Ellis A. Burgoyne
Chief Information Officer and Executive Vice President

Joseph Corbett
Chief Financial Officer and Executive Vice President

Nagisa Manabe
Chief Marketing and Sales Officer, Executive Vice President

Thomas J. Marshall
General Counsel and Executive Vice President

Jeffrey C. Williamson
Chief Human Resources Officer and Executive Vice President

The Executive Leadership Team

The Executive Leadership Team (ELT) of the U.S. Postal Service is a decision-making body whose members serve as senior advisors to the Postmaster General. The ELT considers and sets the strategic agenda.

Other Officers.

The United States Postal Service

Drew T. Aliperto
Vice President, Area Operations (Western)

Michael J. Amato
Vice President, Engineering Systems

Susan M. Brownell
Vice President, Supply Management

William A. Campbell
Judicial Officer

James P. Cochrane
Vice President, Product Information

Joshua D. Colin
Vice President, Area Operations (Eastern)

Guy J. Cottrell
Chief Postal Inspector

Judith A. de Torok
Acting Vice President, Corporate Communications

John T. Edgar
Vice President, Information Technology

Jo Ann Feindt
Vice President, Area Operations (Southern)

Rosemarie Fernandez
Vice President, Employee Resource Management

David C. Fields
Vice President, Area Operations (Capital Metro)

Dean J. Granholm
Vice President, Area Operations (Pacific)

Shaun E. Mossman
Acting Vice President, Finance and Planning

Pritha N. Mehra
Vice President, Mail Entry and Payment Technology

Randy S. Miskanic
Vice President, Secure Digital Solutions

Julie S. Moore
Secretary of the Board of Governors

James A. Nemec
Vice President, Consumer and Industry Affairs

Timothy F. O'Reilly
Vice President, Controller

Edward F. Phelan, Jr.
Vice President, Delivery and Post Office Operations

Gary C. Reblin
Vice President, New Products and Innovation

Cliff Rucker
Vice President, Sales

Tom A. Samra
Vice President, Facilities

Cynthia Sanchez-Hernandez
Vice President, Pricing

Kelly M. Sigmon
Vice President, Retail Channel Operations

Jacqueline Krage Strako
Vice President, Area Operations (Great Lakes)

Douglas A. Tulino
Vice President, Labor Relations

Richard P. Uluski
Vice President, Area Operations (Northeast)

Giselle E. Valera
Vice President, Global Business

David E. Williams
Vice President, Network Operations

Vacant
Vice President, Government Relations and Public Policy

FY2013 Financial Summary and Operating Statistics

FY2013 Financial Summary.

Financial summary and operating statistics

Financial history summary

(dollars in millions)

	2013	2012	2011	2010	2009
Operating results					
Operating revenue	$ 67,318	$ 65,223	$ 65,711	$ 67,052	$ 68,090
Operating expenses					
Compensation and benefits	46,708	47,689	48,310	48,909	50,883
Retiree health benefits*	8,450	13,729	2,441	7,747	3,390
All other operating expenses	16,970	19,546	19,883	18,770	17,557
Total operating expenses*	$ 72,128	$ 80,964	$ 70,634	$ 75,426	$ 71,830
Operating loss	$ (4,810)	$ (15,741)	$ (4,923)	$ (8,374)	$ (3,740)
Net loss	(4,977)	(15,906)	(5,067)	(8,505)	(3,794)
P.L. 109-435 PSRHBF expenses*	$ 5,600	$ 11,100	$ —	$ 5,500	$ 1,400
Workers' compensation expenses	1,061	3,729	3,672	3,566	2,223
Financial position					
Cash and cash equivalents	$ 2,326	$ 2,086	$ 1,488	$ 1,161	$ 4,089
Property and equipment, net	17,512	18,863	20,337	21,595	22,680
All other assets	1,803	1,662	1,588	1,570	1,349
Total assets	21,641	22,611	23,413	24,326	28,118
Accrued contributions to PSRHBF	$ 16,700	$ 11,100	$ —	$ —	$ —
Workers' compensation liability	17,240	17,567	15,142	12,589	10,133
Debt	15,000	15,000	13,000	12,000	10,200
All other liabilities	12,524	13,790	14,211	13,610	13,198
Total liabilities	61,464	$ 57,457	$ 42,353	$ 38,199	$ 33,531
Net capital					
Capital contributions of the U.S. government	$ 3,132	$ 3,132	$ 3,132	$ 3,132	$ 3,087
Deficit since 1971 reorganization	(42,955)	(37,978)	(22,072)	(17,005)	(8,500)
Total net (deficiency) capital	$ (39,823)	$ (34,846)	$ (18,940)	$ (13,873)	$ (5,413)

**Due to the passage of P.L. 112-33 which changed the due date of the scheduled PSRHBF prefunding payment of $5.5 billion originally due by September 30, 2011 into 2012, PSRHBF expenses were zero in 2011. As a result, total PSRHBF expenses in 2012, including the previously scheduled prefunding payment of $5.6 billion due by September 30, 2012, were $11.1 billion. In 2009, P.L.111-68 changed the PSRHBF payment from $5.4 billion to $1.4 billion.*

For more information about United States Postal Service financial statements and copies of financial reports, please visit **http://about.usps.com/who-we-are/financials/welcome.htm**.

Operating statistics

Shipping and packages services statistics

(in millions of units indicated, unaudited)

	2013	2012	2011	2010	2009
Priority Mail Express					
Revenue	$ 794	$ 802	$ 800	$ 829	$ 884
Number of pieces	39	40	40	43	47
Weight, pounds	38	41	39	40	45
First-Class packages					
Revenue	$ 1,775	$ 1,523	$ 1,284	$ 1,170	$ 1,117
Number of pieces	794	705	638	599	583
Weight, pounds	263	230	209	195	190
Priority Mail					
Revenue	$ 7,033	$ 6,662	$ 6,322	$ 6,034	$ 5,990
Number of pieces	926	892	858	837	859
Weight, pounds	2,149	2,093	2,084	1,978	1,954
Parcel Select mail					
Revenue	$ 1,981	$ 1,644	$ 1,294	$ 1,125	$ 1,109
Number of pieces	1,360	1,242	1,078	953	909
Weight, pounds	2,074	1,880	1,630	1,298	1,181
Parcel Return Service mail					
Revenue	$ 124	$ 115	$ 92	$ 65	$ 49
Number of pieces	51	47	38	28	18
Weight, pounds	153	140	118	72	39
Package services					
Revenue	$ 808	$ 846	$ 878	$ 933	$ 1,044
Number of pieces	541	575	606	597	661
Weight, pounds	1,235	1,345	1,382	1,423	1,552
Total shipping and package services					
Revenue	$ 12,515	$ 11,592	$ 10,670	$ 10,156	$ 10,193
Number of pieces	3,711	3,501	3,258	3,057	3,077
Weight, pounds	5,912	5,729	5,462	5,006	4,961
Ancillary and special services					
Certified Mail					
Revenue	$ 717	$ 663	$ 708	$ 791	$ 731
Number of articles	235	227	251	283	267
Return Receipts					
Revenue	$ 357	$ 399	$ 478	$ 557	$ 544
Number of articles	158	170	195	223	221
Delivery Confirmation					
Revenue	$ 106	$ 244	$ 244	$ 224	$ 166
Number of articles	1,861	1,819	1,482	1,371	1,063
P.O. Box rent revenue	$ 889	$ 836	$ 808	$ 816	$ 817
Money orders					
Revenue	$ 155	$ 165	$ 172	$ 182	$ 190
Number of articles	103	109	116	123	135
Insurance					
Revenue	$ 108	$ 109	$ 117	$ 128	$ 129
Number of articles	28	30	35	40	44
Shipping and mailing supplies					
Revenue	$ 123	$ 118	$ 112	$ 107	$ N/A
Number of articles	63	70	62	62	N/A
Other services revenue	$ 1,292	$ 1,266	$ 791	$ 985	$ 417
Total other services revenue	$ 3,747	$ 3,800	$ 3,430	$ 3,790	$ 2,994

Note: The charts have been reformatted to reflect the new presentation which is more representative of how the Postal Service manages the business. The following summarizes the major reclassification changes:

-The new First-Class Package Services now includes the First-Class Parcels category formerly included in First-Class Mail.

-Parcel Select, Parcel Return, & Standard Parcels now include Standard Mail Parcels category formerly included in Standard Mail.

-The International category now includes all international revenues, pieces, and weight formerly included in First-Class Mail, Standard Mail, Package Services, and Other.

**Includes a $59 million decrease and increases of $298 million, $103 million, $655 million to the deferred revenue-prepaid postage liability in 2012, 2011, 2010, and 2009, respectively. As this is a change in estimate, the decrease or increase in revenue is accounted for in Other Mailing Services revenue.*

Operating statistics

Revenue, pieces and weight statistics

(in millions of units indicated, unaudited)

	2013	2012	2011	2010	2009
First-Class Mail					
Revenue	$ 28,152	$ 28,856	$ 30,030	$ 32,111	$ 33,848
Number of pieces	65,834	68,674	72,522	77,592	82,727
Weight, pounds	3,197	3,295	3,459	3,451	3,437
Standard Mail					
Revenue	$ 16,915	$ 16,428	$ 17,175	$ 16,728	$ 16,707
Number of pieces	80,890	79,496	83,957	81,841	81,763
Weight, pounds	8,308	8,300	8,770	9,043	8,970
Shipping and packages services					
Revenue	$ 12,515	$ 11,592	$ 10,670	$ 10,156	$ 10,193
Number of pieces	3,711	3,501	3,258	3,057	3,077
Weight, pounds	5,912	5,729	5,462	5,006	4,961
International mail					
Revenue	$ 3,015	$ 2,816	$ 2,585	$ 2,388	$ 2,310
Number of pieces	902	926	987	594	759
Weight, pounds	455	463	445	243	241
Periodicals					
Revenue	$ 1,658	$ 1,731	$ 1,821	$ 1,879	$ 2,038
Number of pieces	6,359	6,741	7,077	7,269	7,901
Weight, pounds	2,422	2,535	2,725	2,778	3,018
U.S. Postal Service					
Number of pieces	633	440	434	438	455
Weight, pounds	151	145	150	134	128
Free matter for the blind					
Number of pieces	55	57	62	68	62
Weight, pounds	23	26	30	32	30
Other services					
Revenue*	$ 3,747	$ 3,800	$ 3,430	$ 3,790	$ 2,994
PIHOP change in estimate	$ 1,316				
Postal Service totals					
Revenue	$ 67,318	$ 65,223	$ 65,711	$ 67,052	$ 68,090
Number of pieces	158,384	159,835	168,297	170,859	176,744
Weight, pounds	20,468	20,493	21,041	20,687	20,785

Note: The charts have been reformatted to reflect the new presentation which is more representative of how the Postal Service manages the business. The following summarizes the major reclassification changes:

-The new First-Class Package Services now includes the First-Class Parcels category formerly included in First-Class Mail.

-Parcel Select, Parcel Return, & Standard Parcels now include Standard Mail Parcels category formerly included in Standard Mail.

-The International category now includes all international revenues, pieces, and weight formerly included in First-Class Mail, Standard Mail, Package Services, and Other.

Operating statistics

Post Office and delivery points

(in actual units indicated, unaudited)

	2013	2012	2011	2010	2009
Post Offices, stations, and branches					
Postal-managed					
Post Offices	26,670	26,755	26,927	27,077	27,161
Classified stations, branches, and carrier annexes	5,032	5,102	5,219	5,451	5,501
Total Postal-managed	31,702	31,857	32,146	32,528	32,662
Contract Postal Units	2,718	2,792	2,904	2,931	3,037
Village Post Offices	385	47	0	0	0
Community Post Offices	629	673	706	763	797
Total offices, stations, and branches	35,434	35,369	35,756	36,222	36,496
Residential delivery points					
City delivery	81,297,883	81,040,591	80,792,112	80,531,231	80,187,505
Rural	40,111,620	39,449,400	39,067,740	38,638,280	38,264,946
PO Box	15,882,717	15,994,508	15,891,349	15,739,698	15,601,883
Highway contract	2,736,005	2,678,508	2,639,061	2,607,138	2,576,166
Total residential delivery	140,028,225	139,163,007	138,390,262	137,516,347	136,630,500
Business delivery points					
City delivery	7,554,231	7,525,979	7,487,332	7,457,500	7,483,461
Rural	1,524,741	1,493,644	1,468,861	1,453,292	1,439,266
PO Box	3,738,314	3,889,964	4,072,664	4,355,674	4,489,688
Highway contract	74,922	73,957	72,872	72,648	72,966
Total business delivery	12,892,208	12,983,544	13,101,729	13,339,114	13,485,381
Total delivery points	152,920,433	152,146,551	151,491,991	150,855,461	150,115,881
Change in delivery points	773,882	654,560	636,530	739,580	923,595

Operating statistics

Career employees

(actual numbers, unaudited)

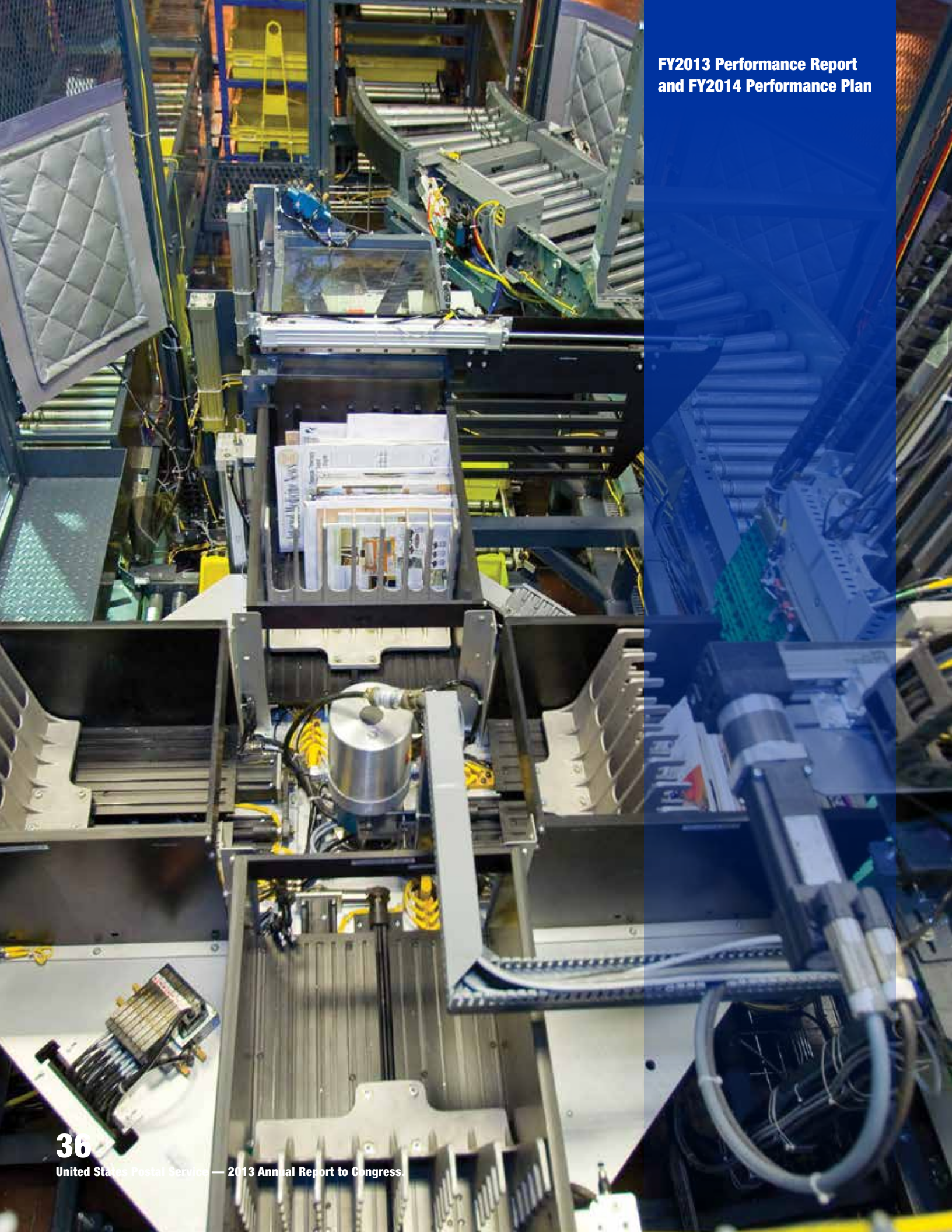
	2013	2012	2011	2010	2009
Headquarters and HQ related employees					
Headquarters	2,967	2,922	2,745	2,937	2,811
Headquarters — field support units	3,870	4,189	4,213	4,876	4,455
Inspection service — field	2,411	2,403	2,398	2,435	2,617
Inspector general	1,135	1,124	1,123	1,108	1,155
Total HQ and HQ related employees	10,383	10,638	10,479	11,356	11,038
Field employees					
Area offices	807	805	809	1,079	1,047
Postmasters/installation heads	17,804	17,376	22,212	23,111	23,672
Supervisors/managers	22,940	23,566	25,083	27,792	28,812
Professional administration and technical personnel	4,375	4,501	4,571	5,926	6,460
Clerks/nurses	118,751	139,666	149,562	157,168	177,842
Mail handlers	40,102	42,033	46,596	48,650	52,954
City delivery carriers	167,388	176,808	183,774	192,180	200,658
Motor vehicle operators	6,598	6,885	7,064	7,413	8,113
Rural delivery carriers — full-time	66,099	66,549	66,186	66,845	67,749
Building and equipment maintenance personnel	30,737	34,705	36,032	37,403	39,531
Vehicle maintenance employees	5,033	4,926	4,883	4,985	5,252
Total field employees	480,634	517,820	546,772	572,552	612,090
Total career employees	491,017	528,458	557,251	583,908	623,128
Noncareer employees					
Casuals	1,779	5,651	2,606	6,503	4,271
Postal support employees	28,793	20,281	10,471	0	0
Nonbargaining temporary	249	3,537	2,259	1,910	1,659
Rural part-time: subs/RCA/RCR/AUX	46,607	48,170	50,349	51,801	54,529
Postmaster relief and leave replacements	13,454	8,727	9,138	11,350	11,477
City carrier assistant (CCA)	30,433	0	0	0	0
Mail handler assistant (MHA)	5,382	0	0	0	0
Transitional employees	0	14,204	13,876	16,215	17,018
Total noncareer employees	126,697	100,570	88,699	87,779	88,954
Total employees	617,714	629,028	645,950	671,687	712,082

Note: The Postal Support Employees category was created in 2011.

Note: The City Carrier Assistant category was created in 2013.

Note: The Mail Handler Assistant category was created in 2013.

FY2013 Performance Report and FY2014 Performance Plan



FY2013 Performance Report and FY2014 Performance Plan.

I. Mission and vision

The Postal Service remains committed to efficiently and effectively providing the service our residential and business customers need. Our mission remains to provide universal service that binds the nation together.

Mission. The Postal Service provides a reliable, efficient, highly trusted and unique universal service that connects people and helps businesses grow.

Vision. The Postal Service will continue to improve its services and its capability to adapt to the changing needs of customers in the digital age.

II. Document purpose and structure

The *FY2013 Annual Performance Report* and *FY2014 Annual Performance Plan* and the *FY2013 Comprehensive Statement on Postal Operations* provide information to assist stakeholders in evaluating the performance of the Postal Service in 2013.

The *FY2013 Annual Performance Report* and *FY2014 Performance Plan* present the set of measures the Postal Service has adopted to assess organizationwide performance. These measures — service performance and customer satisfaction, financial performance and workplace environment — address primary needs of our major stakeholders — commercial and household customers who generate the revenue, legislators and regulators who evaluate our transparency and performance and our employees who deliver the services.

The FY2013 *Comprehensive Statement on Postal Operations* summarizes customer, employee and operational developments, providing more detailed reporting on key corporate goals and strategic initiatives.

III. Reporting requirements

The Postal Service is required by law and regulations to disclose operational and financial information well beyond what the law requires of other government agencies and most private sector companies.

The *FY2013 Annual Performance Report* and *FY2014 Annual Performance Plan* and the *FY2013 Comprehensive Statement on Postal Operations* contain information required by Title 39 U.S.C. Sections 2803 and 2804 and Section 2401(e). The *Postal Accountability and Enhancement Act* (PAEA) of 2006, Section 3652, reiterates the requirement for the Postal Service to prepare these annual reports.

The Postal Service is not a reporting company under the Securities Exchange Act of 1934, as amended, and is not subject to regulation by the Securities and Exchange Commission (SEC). However, it is required under P.L. 109-435 to file with the Postal Regulatory Commission certain financial reports containing information prescribed by the SEC under Section 13 of the Securities Exchange Act of 1934. These reports include annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, which are available at *about.usps.com/who-we-are/financials/welcome.htm*.

Pursuant to Title 39 and PRC regulations, additional disclosures on the organization and finances, including Cost and Revenue Analysis reports, Revenue, Pieces, and Weight reports, financial and strategic plans, the *Annual Report to Congress* and the *Comprehensive Statement on Postal Operations* are filed with the PRC and may also be found online at *about.usps.com*. Information on the website is not incorporated by reference in this report.

We make available on our website, free of charge, copies of our recent annual reports, quarterly reports, and current reports as soon as reasonably practicable after they are filed with or provided to the PRC. Requests for copies may also be sent to the following address:

Corporate Communications
United States Postal Service
475 L'Enfant Plaza, SW
Washington, DC 20260-3100

Support for Cross-Agency Goals

Although the Postal Service is excluded from the Government Performance and Results Modernization Act of 2010, we do support Cross-Agency Goals (governmentwide goals) and strive to provide services that help other agencies meet their individual goals and objectives. This support is demonstrated in the table, Support for cross-agency goals, on page 39.

IV. Corporatewide goals, measures, results, and targets

The Postal Service maintains a core set of organizationwide strategic goals that focus on:

- Service
- Customer experience
- Financial results
- Workplace environment

Service is measured by mail transit time. Customer experience is measured by national surveys of residential and small/medium business customers. Financial performance is measured by operating income and deliveries per hour. OSHA illness and injury rates and employee responses to Voice of the Employee surveys are the measures of the workplace environment.

The Postal Service has detailed measurement systems in place to track performance and report results that Postal management uses for planning and decision-making and to monitor performance and make operating adjustments.

The FY2013 performance targets and results, as well as targets for FY2014, are provided in the table to the right of this page.

Service

The Postal Service uses First-Class Mail Overnight, Two-Day, and Three-to-Five Day Service to represent Postal Service performance since this class of mail is one of the most widely used mail categories. Consumers, small businesses and larger commercial firms rely on First-Class Mail which uses virtually all elements of the Postal Service operating chain from collection boxes and retail counters to final delivery.

For single-piece First-Class Mail, the Postal Service has contracted with an outside entity to measure performance independently and objectively since 1990 via the External First-Class Mail (EXFC) measurement system. This external sampling system measures the time it takes from deposit of mail in a collection box or lobby chute until its delivery at a home or business. Performance is measured in 892 ZIP Codes for single-piece First-Class cards, letters and flat envelopes. Service performance for Single-Piece First-Class Mail parcels, which is measured using an internal USPS system, has now been combined with EXFC performance to formulate the combined Single-Piece First-Class Mail results.

Support for cross-agency goals

Cross-agency goal	USPS participation	Management goals
Increasing exports	USPS participates in the National Export Initiative (NEI).	Develop and grow outbound international delivery services.
Entrepreneurship and small businesses	The Postal Service has been working with the Small Business Administration (SBA) of the Department of Commerce and through local Postal Customer Councils.	Develop and grow services and support to small businesses, such as Every Door Direct Mail (EDDM).
Energy efficiency	The Postal Service's energy efficiency efforts in facilities, fleet and transportation management are detailed in the Annual Sustainability Report at *about.usps.com/what-we-are-doing/green/report/2012/*.	Our targets are to reduce energy use 30 percent by 2015, reduce petroleum fuel use 20 percent by 2015, and increase Postal vehicle alternative fuel use 10 percent annually by 2015.
Veteran career readiness	The Postal Service is the largest civilian employer of veterans.	Approximately 108,000 veterans are currently employed by the USPS.
Cybersecurity	The Postal Service has been participating through the Postal Inspection Service.	USPS has created a Digital Services Group, with the support of our IT Department, to support this activity.
Sustainability	The Postal Service supports federal sustainability strategies set in regulations and executive orders.	In addition to energy reduction, the Postal Service's targets are to reduce GHG emissions 20 percent by 2020, reduce water use, and increase recycling. USPS also focuses on climate change adaptation.
Real property	The Postal Service network optimization program is consistent with the goals of this priority.	The USPS is closing and disposing of operating facilities, where feasible.
Improper payments and strategic sourcing	The Postal Service Supply Chain Management (SCM) complies with the objectives of this program.	USPS SCM programs are focused on reducing improper payments and on effective, efficient sourcing.
Note:	*Wherever and whenever possible, the Postal Service supports the work of other government agencies.*	*Examples include Passport Services for the State Department, Selective Service Registration and collaboration with Census and the IRS for special mailings.*

Corporatewide goals, measures, results and targets

Goal	Measure	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Target	FY2013 Actual	FY2014 Target
Service (% on-time)	Single-piece First-Class Mail							
	Overnight	96.2	96.4	96.2	96.5	96.7	96.1	96.8
	Two-day	93.7	93.7	93.3	94.8	95.1	95.3	96.5
	Three- to five-day	92.2	92.4	91.9	92.3	95.0	91.6	95.25
	Presort First-Class Mail							
	Overnight	N/A	N/A	N/A	96.8	96.7	97.2	96.8
	Two-day	N/A	N/A	N/A	95.7	95.1	97.0	96.5
	Three- to five-day	N/A	N/A	N/A	95.1	95.0	95.1	95.25
	First-Class composite[1]	N/A	N/A	N/A	N/A	N/A	N/A	96.0
	Standard composite[2]	N/A	N/A	N/A	N/A	N/A	N/A	91.0
Customer experience	Residential	N/A[3]	86.4	87.2	88.4			
	Small/Medium Business	N/A	81.8	83.0	84.1	82.5[4]	78.4	82.5
Financial results	Operating income (loss) ($ billions)[5]	N/A	N/A	(2.7)	(2.4)	(2.0)	(1.0)	1.1
	Deliveries per hour	N/A	N/A	39.9	41.0	42.7	41.6	43.3
Workplace environment	OSHA illness & injury rate[6]	5.71	5.76	6.03	5.78	5.72	5.61	5.55
	Voice of the Employee survey[7]	64.0	62.3	64.7	64.7	64.9	64.7	65.1

[1] For FY2014 the service performance target will be a combination of single-piece First-Class and Commercial First-Class performance for an aggregate of overnight, 2-day and 3-day service.

[2] For FY2014 there is a service performance target that is a combination of Standard Mail destination entry for Sectional Center Facility (SCF) letters and National Distribution Center (NDC) letters and flats.

[3] Comparable overall customer experience scores are not available for FY2009 due to redesign of measurement survey for FY2010.

[4] Begining in FY2013, plan/targets are not set as actual survey response percentages; internally as part of the National Performance Assessment they are computed as an index of survey questions. The CEM indicator equally weights each customer experience as follows: Receiving: 25%, Sending: 25%, Post Office: 25%, Contact: 25%. In combining the residential and small/medium business results, a differential weighting of 35% residential and 65% small/medium business is applied to calculate an overall YTD CEM Performance score. Standards of performance and cell targets are based upon empirical results from the baseline years (FY2010 and FY2011) of CEM data collection. For FY2013, the CEM indicator is included in the overall corporate indicator with a weight of 5%.

[5] Excludes expense impact of Workers' Compensation discount rate changes and actuarial revaluations and USPS Retiree Health Benefit Fund.

[6] Injury and illness rate is calculated using an industrywide formula recommended by OSHA: "Total number of OSHA injuries and illnesses (multiplied by 200,000 hours divided by the number of exposure hours worked by all employees). The 200,000 hours represents 100 employees working 2,000 hours per year. It provides the standard base for calculating incidence rates."

[7] 64.0 is the actual score for the 2009 survey; 63.6 is the baseline index score established for the new VOE survey index used in 2010; 62.3 is the actual score for the 2010 survey; 64.5 is the baseline index score established for the new VOE survey index used in 2011; this index is created based on 8 VOE survey questions.

In 2012, Presort First-Class Mail was combined with Single-Piece First-Class Mail to measure overall First-Class Mail performance. For Presort First-Class Mail measurement, the Postal Service uses a hybrid measurement approach that combines Full Service Intelligent Mail data from commercial mailers, to measure time from mail acceptance to final processing, with data collected externally to measure transit time from final processing on mail processing equipment through to actual delivery. The processing and delivery data are aggregated, combined and reviewed by an external entity to measure overall commercial mail performance.

For the FY2013 measures of Single-Piece First-Class Mail, the Postal Service made its target performance score for Two-Day delivery, but fell short of the target for Overnight and Three- to Five-day delivery. For Presort First-Class Mail all targets were met. Although targets were not reached for two categories of Single-Piece First-Class Mail delivery, given the changes that are being made to the Postal Service network and the realignment and reduction of workhours, performance scores have remained remarkably high and relatively stable. Weather variability also affects year-to-year comparisons.

The Postal Service also monitors performance for other classes of mail as reported at *about.usps.com/what-we-are-doing/service-performance/welcome.htm*.

Customer Experience

Customer Experience Measurement (CEM) assesses and scores the customer experience for residential and small/medium business customers. Residential and small/medium business performance scores are based on survey responses from CEM (top two boxes) for specific customer experiences. Prior to FY2013, CEM scores were reported as the percentage of residential and small business survey respondents that rated their overall satisfaction with the Postal Service "very" or "mostly satisfied." For FY2013 CEM scores for residential and small business customers have been combined to create an indicator.

Providing a positive customer experience is one of the core strategies that drives overall customer satisfaction and it remains the primary focus of our improvement efforts. We continue to promote our Customer Experience Essentials Principles through weekly messaging to inform and engage employees. Additionally, we continue to provide detailed diagnostic reports that identify Post Offices with opportunities to improve the customer experience and verbatim customer comments to provide specific feedback. We provide regular web-based information sessions to ensure our field managers know how to utilize these tools. We are reviewing our current complaint handling processes to determine gaps and identify recommendations that would positively impact customers' experience when they contact the Postal Service. Our intent is to improve processes and enhance systems in ways that support timely and thorough resolution of customer concerns and inquiries. We know that creating an organizationwide culture of responsiveness is critical in retaining our current customer base and acquiring new customers; both essential in driving revenue growth.

Financial Results

FY2013 had Total Revenue of $67.3 billion and Total Expenses of $72.1 billion, resulting in a Net Loss of almost $5.0 billion.

Our current period results are also impacted by items that are not under our control or that are unusual which are not reflective of our normal operations. These items include the annual legally-mandated PSRHBF prefunding expense, the legally mandated participation in the federal workers' compensation program and fluctuations in workers' compensation expense due to discount (interest) rates, and significant changes in accounting estimates. Because these items are not typical, we believe that analyzing operating results without the impact of certain of these charges provides a more meaningful insight into current operations.

Thus, when the impact of the required prefunding payments and expense related to the long-term portion of workers' compensation and the change in accounting estimate are excluded, the net operating loss was $1.0 billion.

Although still facing a net operating loss, the Postal Service made significant progress in increasing revenues and cutting costs during FY2013. For the first time since 2008, revenue increased compared to the prior year; however mail volume continued to decrease. Revenue in Shipping and Packaging increased by 8.0 percent over the same period last year while advertising and standard mail revenue increased by 3.0 percent. Overall volume declined by 1,451 million pieces.

Operating expenses of $72.1 billion in 2013 decreased 10.9 percent, from $81.0 billion in 2012 due primarily to reductions in Retiree Health Benefit Costs and Workers Compensation expenses. We consolidated 143 mail processing operations from certain facilities into other facilities in 2013.

Financial performance results

($ in billions)

Loss before impact of change in accounting estimate, expense related to the long-term portion of workers' compensation and PSRHBF expense (dollars in millions)	FY2013	FY2012	FY2011
Net loss	$ (4,977)	$ (15,906)	$ (5,067)
Impact of:			
changes in accounting estimate	(1,316)		
expense related to the long-term portion of workers' compensation	(311)	2,341	2,367
PSRHBF expense	5,600	11,100	—
Loss before impact of change in accounting estimate, expense related to the long-term portion of workers' compensation and PSRHBF expense	$ (1,004)	$ (2,465)	$ (2,700)
Liquidity days (of operation cash)	9	8	12
Volume (pieces in billions)	158.4	159.8	168.3

These consolidations allowed us to close 97 mail processing facilities and reduced the total number of processing facilities in the Postal network to 320, while maintaining a high level of service to customers. The remaining 46 facilities are still conducting processing operations but at a reduced level. The Postal Service reduced the number of career employees by approximately 37,400 during the same time period.

Note: The FY2013 financial statements of the United States Postal Service include a $1.3 billion non-cash reduction in the estimated liability for the deferred revenue associated with prepaid postage and a corresponding increase in revenue. This adjustment is based on a revised estimate of the value of stamps that have been purchased but not yet used on mail, and is applied to the estimated liability related to stamps purchased over the past seven years.

The majority of deferred revenue-prepaid postage relates to Forever stamps purchased by the public that have not yet entered the mail stream. Since first introduced in 2007, the Postal Service has sold more than 65 billion Forever stamps to the public, totaling $30.2 billion in cumulative sales.

Compared to $30.2 billion of Forever Stamp sales and $444 billion in total Postal Service revenues since the Forever Stamp was introduced in 2007, this $1.3 billion change equates to a 4.3 percent adjustment of Forever stamp revenue and a 0.3 percent adjustment of total revenue respectively. Averaged over the seven-year period, this adjustment equates to roughly $186 million annually.

This accounting adjustment has no impact on the Postal Service's receipt of cash, or cash on hand, nor does it lessen the severity of its current liquidity situation. The Postal Service still has only nine days of operating cash entering 2014.

For a full description of deferred revenue-prepaid postage, see the USPS 2013 Form 10-K located on *about.usps.com*.

The table on page 41 summarizes financial results for FY2013.

Deliveries Per Hour

In FY2013 the target for Deliveries per Hour was 42.7. The actual result for FY2013 was 41.6 — a difference of 1.1.

The primary reason that the FY2013 target was not met for this measure is that volume was significantly higher in FY2013 than we planned at the start of the year. This was good news for the Postal Service, but it hurt the achievement of the DPH target. Other things that contributed to missing our FY2013 target included limiting to voluntary our centralization of business deliveries. The result was that we centralized a much smaller precentage of deliveries than we had planned. In addition, we hired and trained many new non-career employees and this cost many workhours. The learning curve for these workers caused us to use more hours as they gained experience (although at a lower wage).

Workplace Environment

OSHA Illness and Injury Rate. The requirements of the Occupational Safety and Health Administration (OSHA) are designed to protect Postal and contract employees from safety and health hazards. All private and public sector employers are subject to OSHA. However, the U.S. Postal Service is the only agency subjected to assessment of citation penalties. In FY2013, for the Postal Service, the OSHA injury and illness (I&I) frequency rate of 5.61 per 100 employees is 2.94 percent improved over last year. The reason for the decline in I&I was continued emphasis on safety process improvements, training and correction of unabated hazards.

Voice of the Employee (VOE) Survey. Giving every employee the opportunity to provide their feedback with the Voice of the Employee (VOE) survey each year demonstrates that the Postal Service is committed to a conversation with employees about a fair and open workplace. We continue to set challenging targets for employee engagement levels and communicate our progress on a quarterly basis. Our results compare favorably to recent declines in satisfaction and culture indices seen in other federal sector surveys. Employees express pride in working for the Postal Service (74 percent) and feel personally responsible for helping the organization succeed as a business (76 percent).

Still, we are relentless in our pursuit of improvement with strategies to engage, align, enable and motivate the workforce. We have implemented robust internship and mentoring programs to introduce new thought leadership into the ranks of management. We are innovating in our training strategies to use new technologies and blended modalities for front-line training delivery. We utilize our geographically based network of leadership development and diversity personnel to communicate and implement VOE survey results and action planning strategies.

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FY2013 Comprehensive Statement on Postal Operations.

Business environment now and for the future

I. Mail remains relevant in 2013

The Postal Service, like other posts around the world, continues to face declining letter mail volume as a result of new communications technology. Email, texting and various forms of social media are flourishing, but recent research has shown that physical mail continues to remain relevant.

JWTIntelligence, the research arm of advertising agency JWT, conducted a survey of 800 Americans and 400 Britons aged 18-plus from February 1–4, 2013. They found that a majority of people in both the U.S. and the United Kingdom enjoyed sending physical mail, and on the receiving end, people saw real-world mail as a way to forge tight bonds.

It is particularly important to note the similarity in ratings across generations. Although the younger generation, Millennials, are known for texting and use of social media, they still derive satisfaction from sending and receiving physical cards and letters. See charts on page 47.

This finding is also consistent with online research sponsored by the U.S. Postal Service Office of Inspector General, which found that overall, 79.5 percent of the survey respondents indicated they would be significantly or moderately impacted if the Postal Service did not exist in five years. Broken down by age, although younger Americans are least likely to say they would be significantly impacted, over 40 percent still said the impact would be significant.

II. Significance of the mailing industry and USPS role in it

The Postal Service remains a lynch-pin in what continues to be a large and expansive industry. According to the 2012 Mailing Industry Job Study conducted by the Envelope Manufacturers' Association (EMA), 8.4 million jobs are supported by the U.S. mailing industry. This equates to six percent of all U.S. jobs. The mailing industry also supports $1.3 trillion in sales revenue and over 8.6 percent of U.S. Gross Domestic Product (GDP).

The size of the mailing industry compared to other key U.S. industries is significant. What happens in the mailing industry echoes throughout the economy.

Industry	No. of jobs	Revenue
Mailing	8.4 million	$1.3 Trillion
Airline	10.0 million	$1.0 Trillion
Oil & natural gas	9.6 million	$1.1 Trillion

Although there are over ten times as many private sector jobs in the mailing industry compared to the Postal Service, over 76 percent of these mailing industry jobs depend upon the delivery infrastructure of the Postal Service.

The mailing industry itself, and the postal market in particular, is large and diverse with different objectives and different service needs. Economic growth remains slow and uneven, and the likelihood of seeing significantly more volume in the next several years is unlikely. We will continue to see an increasing role for technology in the way we operate from advances in robotics and materials handling to vehicles and the use of more sophisticated information technology. To be successful, all parts of the mailing industry must have a common understanding of the future opportunities and risks facing the industry as a whole and demonstrate a willingness to collaborate and innovate to achieve shared goals.

The Postal Service continues to make operational improvements which have generated significant cost savings. These improvements include reduction in the workforce, network consolidation and restructuring the retail environment. The Postal Service is also developing new service offerings and seeking to bolster the value of mail by integrating it with online and digital technology. We will continue to improve our products and services, explore the use of technology to enhance the value of the mail and make our products relevant in a changing economic and technological environment.

Highlights of FY2013 accomplishments are described in the following sections of this Comprehensive Statement. Although these efforts have helped in the short-term to stabilize the financial position of the Postal Service, the long-term financial position of the Postal Service remains precarious. The Postal Service is incurring unsustainable losses that will worsen unless Congress takes action to give the organization authority to generate new revenue and adapt to changing business conditions and customer requirements.

III. Operating for success in FY2013

Standardization and Network Optimization

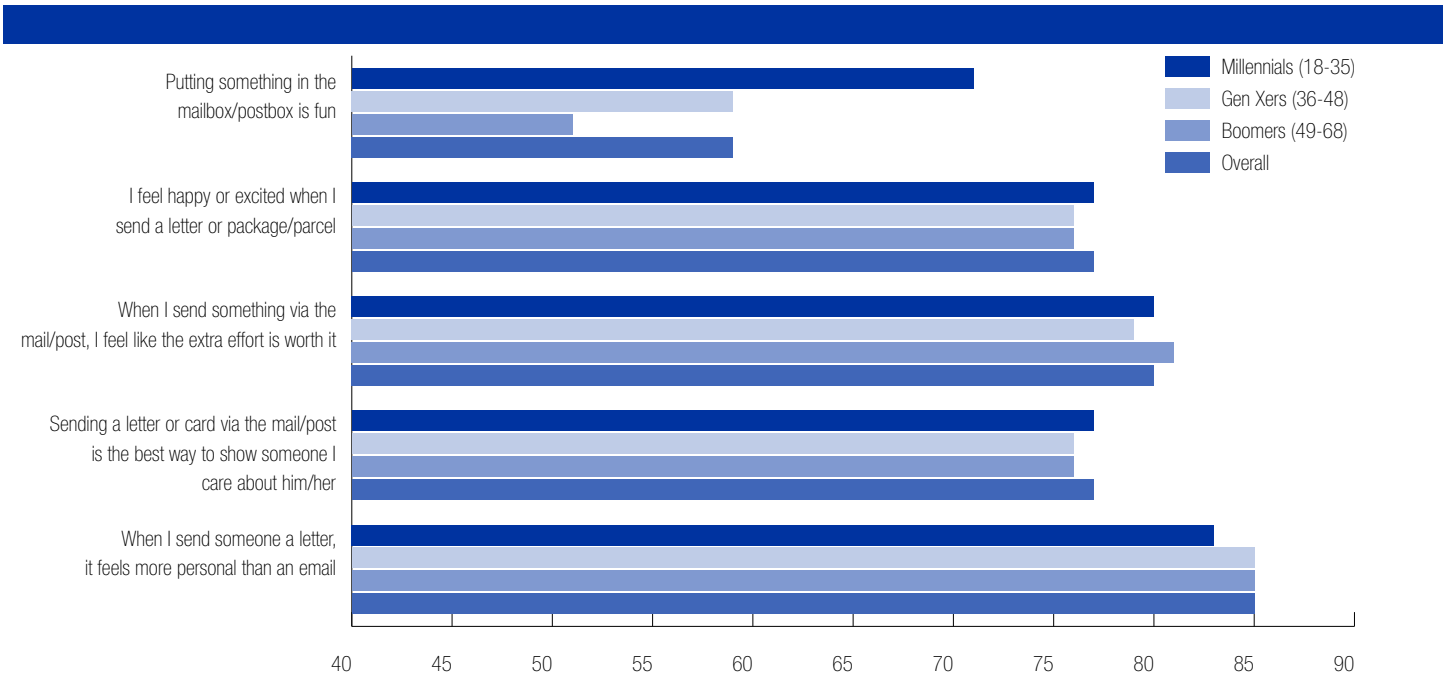
Transition from POSTNET barcode to the Intelligent Mail barcode (IMb). On January 28, 2013, the POSTNET barcode was retired and mailers were required to use the Intelligent Mail barcode (IMb) on their business mail in order to claim automation postage rates. The conversion from POSTNET to IMb set the foundation for mailers to participate in the Full Service Intelligent Mail option.

Unique barcoding coupled with data reporting requirements of the Full Service program provide the Postal Service with 100 percent visibility into the mailstream. Using the Full Service IMb information, a suite of service performance diagnostic tools was developed for use by Field Managers to analyze and improve service performance. These tools leverage the information provided by Full Service IMb. The suite of reports includes Mail Processing — Work in Process, Scorecard, Top 10 Impacts and Start-the-Clock Day of Week Analysis. Also daily and weekly push reports focused on Containers at Risk, Daily Commercial Mail Scores and Network Rationalization.

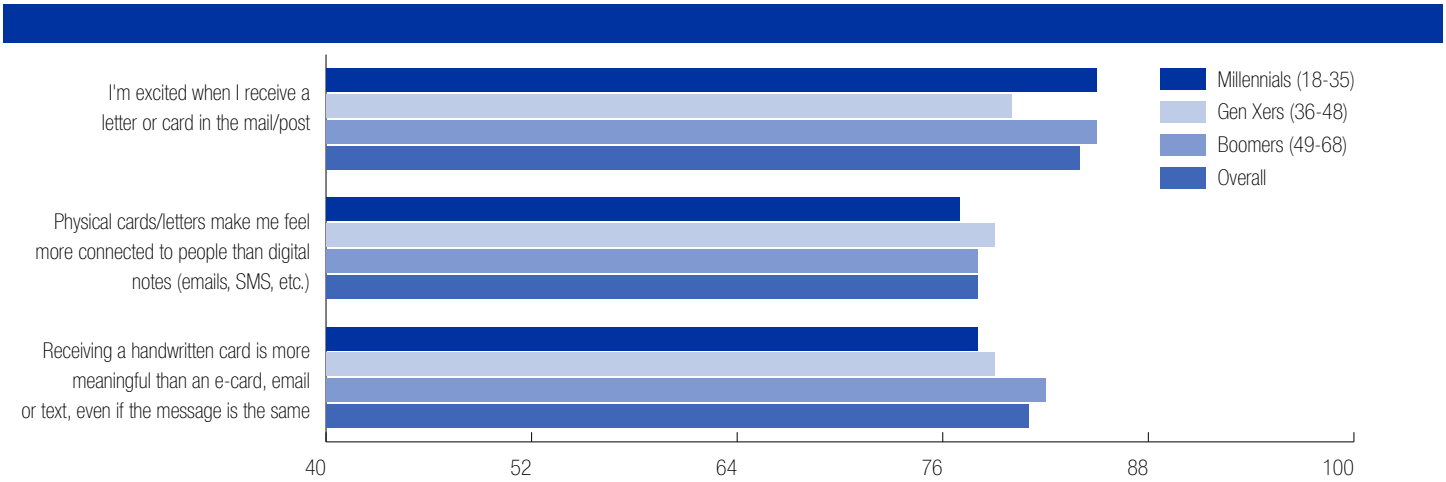
The service performance diagnostic tools provided Field Managers with timely and meaningful information on potential service impacts; allowing corrective action to be taken proactively eliminating a potential service failure. The ability to see diagnostic data in near-real-time supported ongoing efforts to improve mail processing throughput allowing USPS to discover systemic issues and bottlenecks in processes that led to permanent resolutions. For example, Field Managers were able to measure and then reduce cycle time to consistently meet service targets. In addition, through container and individual mailpiece scans, Field Managers gained visibility into the elapsed time between each operational step in the process. As a result, incorrect mail flows and mishandlings were identified and corrected.

Diagnostic reports allowed mailers to uncover mail or documentation issues, which, when resolved, facilitated service improvements for their mail. Through the Full Service option, mailers have access to (1) the lowest automation rates, (2) address correction for Full Service mailpieces and (3) visibility into their own mailings. The IMb Planning Tool, available on the Rapid Information Bulletin Board System (RIBBS), shows mailers, by induction facility, how many days it takes to accept, process and deliver their mail. It also explains service variance, allowing mailers to track on-time delivery performance and see the elapsed duration (in hours) between entry time and the first automated scan. Mailers use this IMb information to better manage their customer expectations about when the mail should be delivered and make informed marketing, financial and operational decisions.

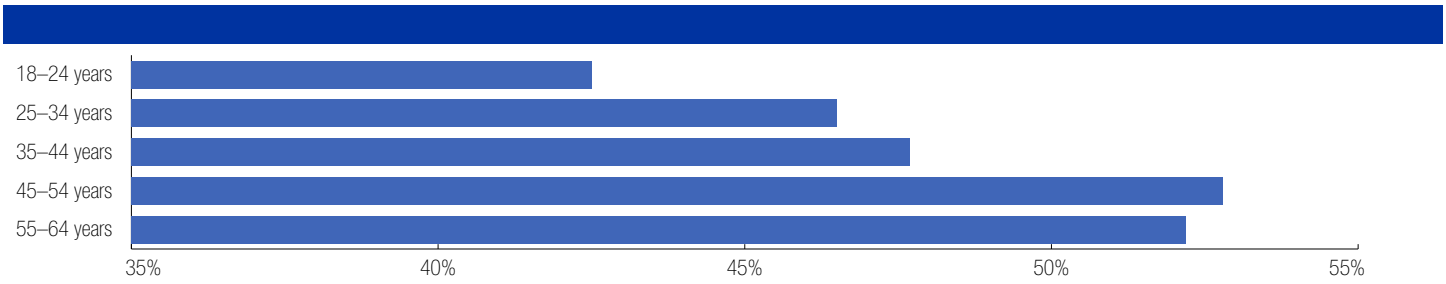
Sending physical mail is satisfying — U.S. (%)[1]



Receiving physical mail is satisfying — U.S. (%)[1]



Percent significantly or moderately impacted if Postal Service did not exist in 5 years[2]



1 Source: Survey by JWTIntelligence

2 Source: Survey by U.S. Postal Service Office of Inspector General

Full Service adoption increased in FY2013. Out of the 90 percent of IMb volume that is potentially eligible for participation in Full Service, 65 percent is Full Service as of September 2013 compared with 50 percent in October 2012. Among the major mail products, Standard Mail Letters experienced the highest increase in adoption rate (15 percent) in FY2013 from 42 percent to 57 percent. Full Service adoption continues to be the highest for Presorted First-Class Mail, increasing by 10 percent in FY2013 from 62 percent to 72 percent. The Full Service Standard Mail Flats increased by 11 percent, from 41 percent to 52 percent. Full Service Periodicals increased by 8 percent, from 60 percent to 68 percent.

Through use of the Service Performance Diagnostic tool, USPS achieved continuous improvement in service performance. Commercial Mail service scores at the end of Fiscal Year 2013 for First-Class Mail were: Overnight, 97.2 percent; 2-Day, 97.0 percent and 3-To-5 Day, 95.1 percent. Standard Mail Destination Entry stood at 88.8 percent, with Standard Mail End-to-End at 63.3 percent. Periodicals ended the year at 82.0 percent.

Network Realignment. The Postal Service continued to consolidate its mail processing network in 2013 due to declining mail volume and the financial challenges it faces. At the end of 2012, the number of processing facilities was at 417. Minimal consolidation activity was scheduled during the peak political mailing and fall holiday seasons. Consolidations began again in January 2013. In 2013, we consolidated 143 mail processing operations from certain facilities into other facilities. These consolidations allowed us to close 97 mail processing facilities and left the total number of processing facilities in the Postal network at 320. The remaining 46 of the facilities consolidated in 2013 are still conducting processing operations but at a reduced level. These changes to our Postal network have been accomplished while maintaining a high level of service for our customers.

Retail Access

Our retail channel strategy focuses on enhancing the customer experience and ensuring that the Postal Service remains a trusted American institution, while promoting our financial stability and cost efficiency.

The Postal network, consisting of a total of nearly 32,000 Postal-managed Post Offices, stations and branches, is the most extensive in the nation, with more locations than McDonald's and Starbucks combined. We also partner with retailers to provide another 64,000 locations for customers to access stamps and U.S. postal services at times and locations convenient to them. We supply information and services online at *usps.com* and through applications on most mobile devices.

To fulfill customer needs for service and at a manageable cost, the Postal Service continues to seek innovative retail service alternatives.

Postal Service in Rural Areas. In May 2012, the Postmaster General and the Chief Operating Officer announced a plan to keep rural Post Offices open while addressing the declining mail volumes and revenue. As it is named, POStPlan will impact over 13,000 offices by the time it is completely implemented at the end of FY2014, reducing hours at these offices to 2–6 hours a day. So far, 1,090 Post Offices have been converted to two hours per day. Another 4,203 have been converted to four hours per day, and 2,692 have been converted to six hours daily.

At the same time, the Postal Service has introduced Village Post Offices (VPOs) which are arrangements with local businesses in rural America to provide U.S. postal services where customers shop. A VPO provides a range of popular products and services including PO Boxes, First-Class Mail Forever stamps, prepaid Priority Mail Flat Rate products, Priority Mail Flat Rate boxes and shipping, and a mail collection box. International mailpieces that have a computer-generated customs form with customs data electronically transmitted (through Click-N-Ship or an authorized PC postage vendor), can be deposited at a VPO. In FY2013 the Postal Service opened 338 Village Post Offices in primarily rural communities.

Alternate Access. Many customers prefer the convenience of alternate access choices that include self-service kiosks, online access or mobile devices. We have improved the *usps.com* website and our mobile applications. Consumers and small businesses can obtain information, and purchase postage online, by phone, mail or fax. They can order supplies and purchase philatelic items, arrange package pickups and print labels. Customers also can use one of the 2,760 self-service kiosks located in Post Offices, many after the Post Office has closed. Lobby assistants were introduced in 132 locations, where our newest self-service kiosks were placed, which provided improved service to all customers including those using the kiosks. In Postal surveys, 83.3 percent of residential customers and 83.2 percent of small/medium business customers, indicated that a "self-service mailing and shipping center is easy to use." Customer comments included requests for more kiosks, assistance when using the kiosks and 24/7 access.

Retail Partnerships. In 2013, the Postal Service provided customers with access to stamps at more than 64,500 retail partner locations through the Stamps to Go (StG) program. Now more than 15 percent of all stamps are currently being sold through this program, which is one of our most cost-effective channels. Various marketing efforts have been used to remind customers that U.S. Postage is available through more than 650 partner companies. These efforts have been successful in maintaining stamp sales while expanding our retail footprint.

The Contract Postal Unit and the Approved Shipper programs also continue to grow revenue and expand reach through strategic partnerships. In particular, the Approved Shipper program increased its annual revenue by 57 percent this year.

The Stamps by Mail program continues to offer customers stamps delivered through the U.S. Mail without delivery or handling charges. This program remains popular with the elderly and disabled.

Retail Services — *gopost*™. Currently in pilot testing, *gopost*™ is the Postal Service's convenient way to receive and ship packages. The *gopost*™ units are automated, secured, self-service parcel lockers that are placed in convenient locations, where customers can pick up or ship packages at their convenience, 24/7 at most locations. Customers who sign up for *gopost*™ receive user ID cards and PIN numbers which they can then use to access lockers and retrieve or send packages.

Roll-out of *gopost*™ began in 2012, in the Washington, DC area, and there are currently 13 units in Northern Virginia and Maryland. In FY2013, the Postal Service expanded *gopost*™ to 5 new locations in New York City, including a test of smaller, lower cost indoor units. The *gopost*™ program is one key component of Postal Service efforts to develop and execute comprehensive parcel locker solutions to help reduce failed first attempt (FFA) package delivery and improve the customer package pick-up experience.

Retail Services — Post Office (PO) Box Service. New Post Office services and features are currently available at all of the 6,800 competitive Post Offices (a competitive Post Office is one where the Postal Service will provide some of the same services offered by its competitors at comparable prices):

- Baker's Dozen is 13 months of service for a 12-month payment on a new PO Box.
- No key deposit required for the first two keys to a new PO Box.
- Signature on File service for receipt of Priority Mail Express mail, Insured mail over $200, Return Receipt (electronic) and Signature Confirmation.

Additional PO Box services and features are currently available at many of these 6,800 Post Offices:

- Street Addressing service — mail is addressed to a customer using either the PO Box or the street address of the Postal location, along with the PO Box number.
- Real Mail Notification™ service — customers receive daily emails or text messages to inform them that they have mail in their PO Boxes.
- Expanded lobby access.
- Earlier times when mail will be available for pickup.

These new enhanced PO Box services — accompanied by extensive field outreach — have helped generate significant new revenue. In FY2013, the total revenue for PO Boxes including Caller Service was 982.9 million, a new milestone for the service and 5.8 percent growth in revenue over FY2012. Retail Services will continue to aggressively support growth of these services and improve the overall customer experience for PO Boxes.

Retail Services — Passports. The Postal Service partnership with the Department of State — Passport Services — is critical to the success of providing customer service for the American public. Postal Service employees accept more than 72 percent of first-time applications. The Postal Service currently has over 5,400 Postal facilities that provide fee-based passport acceptance of first-time applications for customers applying for a U.S. passport book or U.S. passport card. Over 5,200 Postal facilities provide both passport acceptance and photo services (for a fee) which promotes customer convenience and one stop shopping. A near-term goal is to improve contribution from passports by increasing efficiency, growing the number of applications accepted and improving service to meet the requirements of the Department of State. In particular, the emphasis will be to improve the percentage of passport mailings processed through automation, consolidate passport facilities and create Passport Centers within designated Postal facilities.

Retail Services — Premium Forwarding Service. Premium Forwarding Service (PFS) provides customers the option of temporarily forwarding their mail once a week by paying application and weekly shipment fees. The customer's PFS mail is shipped via Priority Mail service with USPS Tracking™. In January 2012, the Postal Service launched an online version of PFS, which offers customers the convenience of applying and managing their account online at *usps.com*. PFS online continues to help grow revenue and create efficiencies by increasing the portion of transactions conducted online. Overall, PFS revenue grew 13 percent in FY2013, and PFS online revenue already represents 20 percent of all PFS revenue.

Retail Revenue by Channel. The Postal Service strives to balance customer convenience and accessibility to our services with initiatives designed to control cost. We continue to see customers shift away from brick and mortar Postal facilities to alternate forms of access as shown in the chart on page 51.

Retail Operations. Retail performance is measured by the Retail Customer Experience (RCE) program, as well as by surveys of residential and small and medium business customers. The RCE program hires private "mystery shoppers" who conduct mailing transactions at over 8,600 of our large retail outlets. The data from these transactions are analyzed, evaluated and feedback is provided to help improve the customer experience.

Other customer experience ratings, including overall satisfaction with Post Office visits are collected quarterly via national surveys of residential and small business customers.

One key measure of a customer's retail experience is a wait time in line. The service standard for this attribute is "Five Minutes or Less." For FY2013, the final national Wait Time in Line average was 2:29 versus the previous year of 2:34, an improvement of 5 seconds.

The Overall Retail Experience score from the RCE mystery shops was 92.86 percent versus the previous year score of 92.80, an improvement of .06.

	FY2012 Actual	FY2013 Actual	Variance
Average Wait (mm:ss)	2:34	2:29	00:05
Overall Retail Experience*	92.80	92.86	00.06

**Source: Retail Datamart. Retail Customer Experience Program*

Mail Preparation, Addressing, and Commerical Acceptance

Our adoption of Intelligent Mail and Full-Service technologies has enabled a significant paradigm shift in the way we accept and verify commercial business mailings. We have reduced reliance on manual processes and moved into a digitized process flow.

These capabilities will empower customers with a suite of tools that will enable payment flexibility, preparation simplicity, ease of entry, multiple access points for account management, and deeper visibility into their mailing status.

Additional value will occur through expanded Full-Service penetration by small business mailers. The increased use of Intelligent Mail barcodes with Full-Service allows the USPS to position these mailers for Seamless Acceptance.

Intelligent Mail for Small Business (IMsb) Tool. The Intelligent Mail for Small Business (IMsb) tool offers a simple and cost-effective online solution for small mailers to prepare Full-Service, seamless-ready mailings. In addition to providing Full-Service access to small businesses, the tool provides simplified mail preparation and entry options, including electronic creation and submission of postage statements, generation of unique IMbs, and the ability to import address lists.

Full-Service Simplification and Promotion. Aspects of the Full-Service program were reviewed and actions were taken to simplify mailers entry into Full-Service and to encourage growth across mailers of all sizes.

Changes included simplification of Full-Service mail preparation requirements, a software vendor certification program, and improved Full-Service onboarding processes.

eInduction. A primary objective of commercial mail entry is to eliminate the reliance on hard-copy forms and processes. The electronic induction process, eInduction, leverages existing electronic documentation, Intelligent Mail barcodes, and handheld scanner technologies to verify payment for the mail at a container level. This ensures the containers are inducted into the correct destination facility. Increased use of electronic data through eInduction will reduce dependence on paper-driven processes, directly reducing the amount of manual validations conducted on shipments at destination plants. The eInduction program was successfully piloted with several large-volume drop-ship mailers and deployed on 10/1/2013.

Retail revenue by channel

Services	FY2013 revenue ($ millions)	FY2013 percent share of total retail revenue	FY2013 share difference from FY2012	FY 2012 revenue ($ millions)	FY2012 percent share of total retail revenue	FY2011 revenue ($ millions)	FY2011 percent share of total retail revenue
Retail window brick & mortar	$ 10,780	58.98	-2.19	$ 10,705	61.17	$10,940	64.53
Expanded access	$ 7,497	41.02	+2.19	$ 6,796	38.83	$ 6,014	35.47
Total revenue	$ 18,277	100.00		$ 17,501	100.00	$16,954	100.00

Postal vehicle inventory (see page 53)

Vehicle type	FY2012	FY2013	Difference (+/-)
Delivery and collection (1/2–2½ tons)	190,897	190,104	(793)
Mail transport (tractors and trailers)	5,985	5,850	(135)
Mail transport (3–9 tons)	2,145	2,139	(6)
Administrative and other	6,451	6,449	(2)
Service (maintenance)	4,604	4,613	9
Inspection Service and law enforcement	2,448	2,529	81
Total	212,530	211,684	(846)

Seamless Acceptance (Letters and Flats). Seamless Acceptance will allow commercial mail or letter and flat-size mailpieces to enter the mailstream with fewer manual acceptance and verification activities.

The expanded use of technology through Seamless Acceptance will increase opportunities to use automated processes to reduce errors, improve efficiencies and improve revenue assurance capabilities.

A combination of active and passive scans from the Postal Service's visibility systems and mail processing equipment will be used to support an automated process to reconcile the containers, handling units and mailpieces scanned by the Postal Service against a mailer's electronic documentation.

In addition to the processing equipment scans, mailing data will be collected through a sampling process. Enhancements to the Full Service-Intelligent Mail Device (FS-IMD) will allow the data to be collected and matched to data collected through eDoc.

When used in conjunction with mail processing equipment scans, also matched to eDoc data, a 'big picture' view of the mailing emerges.

Reporting capabilities are being improved to provide analytical reports for both internal and external customers. Scanning results and sampling will be compared to mailer electronic documentation, allowing us to monitor mailer quality using information about errors and quality trends over time.

Seamless Acceptance is on track to be deployed in 2014.

Electronic Verification System (eVS). The eVS program allows package shippers to seamlessly enter their mailings into the Postal system. The system incorporates manually sampled packages and scans of packages from mail processing equipment that are used to validate postage payment against the mailer's manifest information.

The eVS program continues to focus on enhancements to the system. These enhancements will position the eVS system for new revenue growth, and will support the business needs of government agencies and package consolidators who have thus far been unwilling to transfer their shipping services to eVS.

Payment. The Payment and Account Management initiatives improved our ability to manage customer incentives, contract pricing and loyalty tracking, while helping us gain deeper insights into how our customers use our products and their revenue contribution.

New technical specifications namely "Intelligent Mail Indicia Performance Criteria" were published for PC Postage and Meter Vendors that will provide the Postal Service with improved product usage information.

Payment and account management improvements reduce the current burden experienced by mailers in opening permits and managing accounts.

Currently, customers must hold a permit account and pay fees at each Post Office where they present mail. If customers hold accounts at numerous Postal facilities, they must go to each facility to make payments for those accounts.

"Mail Anywhere" functionality was successfully pilot tested with several large-volume mailers to allow the use of a single permit at mailing locations across the country. This capability will be open to all mailers in early 2014, which will greatly simplify the account management process for commercial mailers.

Internal Controls. Updated acceptance process for field Business Mail Entry units to ensure SOX compliance. This was achieved through extensive communication and training efforts encompassing more than 25,000 employees.

Visibility

The Postal Service remains focused on using technology to provide world-class visibility for our mail and package products. By improving our scanning performance scores, we have been able to provide better information for our customers about the location of their mail and packages. Customers will know in near-real time where their mail or packages are in the Postal network and when they can expect delivery.

Since October 1, 2011, nationwide scanning scores have improved from 88.23 percent to 95.79 percent at the end of FY2013. We increased the total numbers of package tracking events by 5.2 billion over FY2012. We continue to emphasize the importance of scanning in online updates to field offices and through recognition of the top-performing Postal areas and districts. The Postal Service has also replaced the Legacy Product Tracking System with PTS-II, a more nimble and robust system, built to support a projected 128 billion scans by 2018. This USPS initiative earned the Parcel Handling Technology of the Year award from Postal Technology International.

Enhanced product visibility and scanning has allowed the Postal Service to provide customers with the end-to-end tracking information they expect. Accordingly, Delivery Confirmation has been rebranded as USPS Tracking™ to reflect these enhancements. Customers benefit because USPS Tracking™ is now included automatically at no additional cost on Standard Post and Priority Mail with full USPS retail acceptance.

Transportation

The Postal Service owns and operates over 200,000 vehicles. These vehicles are primarily used for the transportation and delivery of mail. Postal vehicles are also used for law enforcement, maintenance support, mobile Post Offices and other activities.

During 2013, the active Postal fleet was reduced by 846 vehicles.

The Postal Service has a fleet of more than 200,000 vehicles of which over 40,000 are alternative fuel capable. In an effort to control costs and be environmentally responsible, the Postal Service is committed to using alternative fuel where feasible. The Postal Service operates Ethanol (E-85)/gasoline, Hybrid, Compressed Natural Gas (CNG), propane, and electric vehicles.

In FY2013, we completed tests in New York and Virginia of a new fuel injected gas engine and a diesel engine to help extend the operating life of our aging fleet.

Overall, the Postal Service spent a total of $6,735 million in transportation expenses in FY2013. This represents an increase of $105 million or 1.6 percent compared to FY2012.

Highway transportation expenses in 2013 were $3,410 million, an increase of 0.9 percent. Even though fuel costs are only a portion of total highway transportation expense, they are the primary driver behind the increase of highway transportation expense in 2013. Partially offsetting the increases in fuel costs in 2013 was a 1.4 percent decrease in highway miles driven compared to 2012, as a result of national and local surface transportation utilization improvement initiatives.

The shift in our product mix, which has favored the shipping and package business has resulted in an increase in domestic air transportation expenses of $119 million or 5.3 percent in 2013 compared to 2012, despite the decrease in jet fuel prices. Higher jet fuel cost resulted in an increase of 7.1 percent in 2012 over 2011. The cube space of mail delivered by air grew slightly as increases in Priority and package services were partially offset by decreases achieved by shifting other mail from air to ground transport.

There are also international transportation expenses to transport international mail, including both the physical transportation of mail to foreign destinations and fees payable to foreign postal administrations for the transportation and delivery of mail within their countries. International transportation expenses in 2013 totaled $906 million, a $44 million or 4.7 percent decrease over 2012. The primary driver of this decrease in 2013 is a decrease in fees paid to foreign postal administrations.

Facilities Management

One of USPS's greatest tangible assets is its real estate portfolio of approximately 33,000 building facilities, covering 280 million interior square feet. The goal of the Facilities group is to provide appropriate facilities for Postal needs and ensure proper stewardship of those building assets and related resources such as portfolio energy management, maximizing real property investments, continually balancing the real estate portfolio, and maximizing revenue from properties.

It is critical that we make efficient use of our building portfolio to support Postal operations and goals to Optimize Facility Footprint, Optimize Network Operations, Optimize Delivery Operations and Transform Access.

Facilities Optimization analyzes the existing processing, delivery and retail use of facilities and the needs in that location now and in the future. The strategic planning and analysis in these node studies allows the Postal Service to meet its goal to systematically consolidate operations and right-size our national facilities portfolio to yield substantial operational and lease savings, as well as to generate revenue through the sale of excess properties. Since beginning our optimization review efforts in 2009, we have reviewed over 4,000 facilities, resulting in the identification of over 600 buildings earmarked for elimination from inventory.

Tasked with selling and outleasing identified excess properties, the Real Estate Asset Management group collected $201 million in proceeds from rental and sales of facilities in FY2013 generating $178 million in revenue.

The Facilities Implementation group supported the consolidation process by completing 29 new construction projects and over 30 other major renovations in FY2013. These projects enabled the Postal Service to combine multiple facilities into one location, shed square footage, move to less costly space or sell off large underutilized properties and move to smaller, more efficient space. The new construction category includes the build-out of preexisting non-Postal spaces (Alternate quarters or AQ), the expansion of Postal-owned space (Expansion), and the initial construction of new space that may be leased (NCL) or owned (NCO).

To ensure a safe, secure and serviceable work environment, existing Postal buildings must be consistently and reliably repaired. The USPS Facilities Repair and Alteration program incorporates proactive inspection and assessment programs together with dedicated response to incidents and emergencies. The employees assigned to this function completed about 50,000 repair and replacement projects in FY2013 to ensure that buildings continue to meet Postal needs affordably.

Delivery

Almost half of Postal Service personnel costs are directly attributable to delivery. The number of addresses we deliver to continues to increase even as mail volume declines.

The Postal Service continues to seek ways to be more efficient and reduce delivery costs in response to changes in volume and composition of mail delivered. During 2013, the number of total routes was reduced by 1,847 from 226,999 to 225,152. This was done while absorbing 773,882 new delivery points. Field management continues to inspect and adjust routes as necessary to provide cost saving while preserving delivery service.

Additional actions taken in FY2013 to improve delivery efficiency include:

- Continuing with delivery unit optimization by relocating delivery operations from 510 smaller offices to more centralized facilities.
- Completing 43,333 conversions of business deliveries to centralized deliveries.
- Completing 36,302 conversions of residential deliveries to centralized deliveries.
- Improving customer service by:
  - Keeping mail affordable and convenient. Although we have increased efficiency by consolidating routes and absorbing new deliveries, we continue to provide the same quality service to every business and household. Carrier pickup requests have increased by 20 percent thus increasing volume by 36 percent.
  - In addition, during Hurricane Sandy, the USPS found alternate delivery sites in an effort to continue serving its customers.

Total Factor Productivity

The Total Factor Productivity (TFP) index is a broad measure of longer-term productivity trends. This index is cumulative with calculation beginning in 1972.

The TFP index is computed as a ratio of total workload to total resource usage. Workload consists of three primary components: mail volume weighted by product type, miscellaneous output (e.g., passports) and delivery points. Weighted mail volume represents the largest share with 64.4 percent of the workload contribution in FY2013. Resource usage includes labor, materials and capital as its three primary inputs. Labor has the largest share with 75.6 percent of the resource usage weight in FY2013. The graph to the right identifies the most recent change over time in the TFP index. A graph depicting the trend since 1972 can be found in the Form 10-K filed by the Postal Service with the Postal Regulatory Commission on November 15, 2013 (see: *www.prc.gov/Docs/88/88279/2013_USPS_%20FORM_10K_FINAL.pdf*, page 44).

Total Factor Productivity declined in 2008 and 2009 as mail volume declined more rapidly than the Postal Service could adjust. Since that time the projections have been more accurate and timely adjustments have been made.

IV. Customer programs

The Postal Service values input from both its business and residential customers. It relies on formal measurement systems and structured groups and processes that facilitate mailer dialogue. These lines of communication help ensure we provide quality service that meets customer needs.

Customer Experience Measurement

To obtain quantitative measures of customer opinions of Postal performance, the Postal Service has operated a customer experience measurement survey. Approximately 280,000 residential and 280,000 small/medium business customers responded to surveys in FY2013 for response rates of 15 percent and 10 percent respectively. In past years, these surveys have been a barometer of customer experiences such as sending and receiving mail, as well as visiting our Post Offices and contacting us in other ways.

National survey results have been publicly reported quarterly at *about.usps.com/what-we-are-doing/service-performance/welcome.htm*. Results are used at the District level and below to point to areas where service can be improved.

Real estate inventory (see page 53)

Real estate inventory	2011	2012	2013
Owned properties	8,644	8,606	8,598
Owned interior square feet	198,155,575	197,324,325	196,956,774
Leased properties	24,309	23,998	23,814
Leased interior square feet	82,964,322	81,401,414	79,045,620
GSA/other government properties	307	300	297
GSA/other government interior square feet	2,108,926	2,035,494	2,005,330

Inventory actions (see page 53)

Inventory actions	2011	2012	2013
Lease actions (alternate quarters, new leases and renewals)	2477	2507	3487
Property disposals*	43	49	44
New construction (AQ, NCO, NCL and expansion)	23	22	29
Repair and alteration projects (expense)	59,056	42,489	45,040
Repair and alteration expense totals	$185,000,000	$176,000,000	$156,000,000
Repair and alteration projects (capital)	5,848	3,268	4,178
Repair and alteration capital totals	$335,000,000	$207,000,000	$195,000,000

**Total partial and complete property sales (does not include non-property sales such as right-of-ways/easements, sale of rights, defaults, installment payments, etc.)*

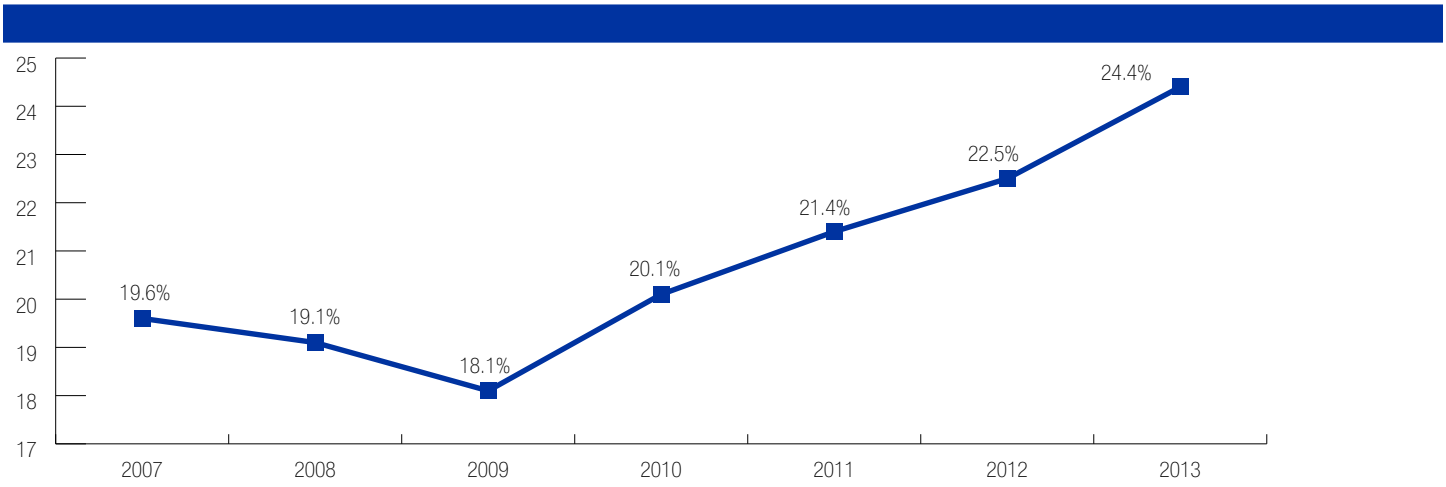
Delivery points, by type of delivery

Delivery type	End 2012	End 2013
City	88,566,570	88,852,114
Rural	40,943,044	41,636,361
Post Office box	19,884,472	19,621,031
Highway contract route	2,752,465	2,810,927
Total	152,146,551	152,920,433

Number of routes, by type of delivery

Route	End 2012	End 2013
City	143,436	142,073
Rural	73,578	73,089
Highway contract route	9,985	9,990
Total	226,999	225,152

Total factor productivity (Cumulative)



Based on what our customers are telling us, we need to focus more on how we can make their experiences contacting us a better one. That said, the Postal Service is now moving beyond general survey data to capture and analyze specific complaints, compliments, verbatims and postings directly from the customer.

Postal Service Ranked Highest Trusted Government Agency for Privacy

In addition to surveys conducted by the Postal Service, we also rely on external studies which measure our performance. The Ponemon Institute annually conducts an objective study, the Most Trusted Companies for Privacy Study. In the 2012 study, more than 100,000 adult-aged consumers were asked to name up to five companies that, in their opinion, were the most trusted for protecting the privacy of their personal information. Consumer responses were collected over a 15-week period concluding in December 2012. A final sample of 6,704 respondents completed the survey. For the last seven years in which Ponemon has conducted its survey, the USPS has been a top-ten performer. The Postal Service also achieved the top trust rating among all other government entities named by consumers in the survey. The Postal Service ranked fifth among the top 20 most trusted companies for privacy across the nation moving up from the number six position in 2011. American Express, Hewlett Packard, Amazon and IBM were listed as the top 4 most trusted companies respectively.

The Ponemon Institute's 2012 Most Trusted Companies for Privacy Study was published on January 28, 2013.

Customer Outreach and Innovation

National Consumer Protection Week. For consumers, National Consumer Protection Week (NCPW) was held March 3–8, 2013. The Postal Service joined the U.S. Postal Inspection Service, AARP and other organizations to educate consumers on how to guard against fraudulent foreign lottery scams. The theme for 2013 was "Dollars and Sense — Rated A for All Ages." Post Offices displayed educational posters and "take-one" brochures in their lobbies. Offices were also invited to hold local events and discussions with their customers. By educating customers, the goal was to help them avoid being scammed, as well as to provide information on what to do if they become victims of a scam. The Inspection Service also aired educational news segments on fraudulent foreign lottery scams in 84 major broadcast markets.

Consumer Alert News Network. To inform and protect the public, the Postal Inspection Service has launched a Consumer Alert News Network (CANN). Each month, 12 news stories are created featuring Inspection Service investigations of fraud — such as bogus job offers, sweepstakes swindles and fake charities. Inspectors, as well as victims, discuss the cases to educate consumers on how to avoid being scammed. Fines collected from convicted criminals fund CANN productions. Each story reaches about 3 million TV viewers. In its first year, 144 episodes have been airing on 111 TV stations. That is twice the number of stations planned and surpasses the third-year goal of reaching 100 stations. Many episodes are available on station websites, providing exposure to even more consumers. An Inspection Service public service announcement is aired for every segment to reinforce the consumer-awareness message.

National Postal Forum. From March 17–20, 2013, 3,300 large and small business customers attended the annual National Postal Forum held in San Francisco, CA. Since 1968, the National Postal Forum has been the preeminent mailing industry meeting bringing together the Postal Service and its major customers — including corporations, state and local governments and nonprofit groups. The four days of business sessions featured more than 130 educational opportunities and explored topics ranging from strategy to operations and marketing to technology. Senior managers of the Postal Service also met with industry customers to resolve mailer's issues, and the USPS sales force used the NPF to identify and close high-value revenue opportunities. Organized by a separate not-for-profit educational corporation, this once-a-year event presents a unique opportunity for existing and prospective customers to meet and interact with USPS management and hear about existing and upcoming USPS products and services.

Mailing Industry Dialog. The Postmaster General's Mailers' Technical Advisory Committee (MTAC) is a venue for the United States Postal Service to share technical information with mailers and to receive advice and recommendations from mailers on matters concerning mail-related products and services in order to enhance customer value and expand the use of these products for mutual benefit.

Postal Customer Councils (PCCs). Postal Customer Councils are made up of Postal Service leaders and business mailers who work together to promote the value of mail, address mailing concerns and exchange ideas to maximize the benefits of the U.S. Postal Service products, programs, services and procedures used by all businesses that touch the mail. Through regular meetings, educational programs, mailer clinics and seminars, PCC members learn about the latest Postal products and services that will help them grow their businesses. There are more than 170 active Postal Customer Councils nationwide.

National PCC Week is an annual event that brings together thousands of mailers, industry partners and customers nationwide to recognize their contributions to the Postal Service, outline future plans and goals and hear the annual state of the business address by the Postmaster General and CEO.

Business Service Network. The Business Service Network (BSN) is a nationwide network dedicated to providing service support to the U.S. Postal Service's largest customers for service issues, information and request needs. The BSN is strategically positioned to have an impact on customer satisfaction, and revenue growth and retention.

The Business Service Network provides customer service for the Postal Service's 22,000 largest customers. BSN customers have a combination of complex issues across multiple areas, generate extremely high Postal revenue and are assigned to an Account Manager or National Account Manager.

Corporate Call Centers

The Postal Service launched three Customer Care Centers in FY2013. All are operational with 83 percent of the contact volume now transitioned from an out-sourced supplier to our internally operated centers. On average the three Customer Care Centers are handling 56,568 calls daily.

Improvements to *USPS.com*

The Postal Service strives to continually make it easier for customers to find information and conduct their Postal business online at our *usps.com* website. In FY2013, the Digital Marketing group worked closely with representatives from Consumer and Industry Affairs and Product Visibility to add new features, as well as improve navigation on the Postal Service website.

Changes to tracking on *usps.com*. A new Quick Tools menu has been added to *usps.com*. This menu includes a USPS Tracking™ entry field.

Tracking a package on *usps.com* is easier and more convenient with recent changes. The tracking results page has been updated to help customers more quickly find where their package is, where it's been and if it's been delivered:

- A progress bar shows how far along a package has moved toward its destination.
- Delivery status is now highlighted.
- Available actions such as additional services, email alerts and post-delivery actions are consolidated.
- When the status of a package is "Delivered," a summary of delivery information appears in the status area.

The Track and Confirm application was renamed "USPS Tracking™." Tracking numbers now can be entered directly on the *usps.com* homepage using the Track button under Quick Tools, which also have been updated to include the most popular *usps.com* web pages.

Changes were based on customer feedback, usability testing, internal stakeholder input and industry standards. Customers seeking tracking information constitute 55 percent of the 2.8 million visits *usps.com* receives each day.

Mail Service Updates Site on *USPS.com* Updated and Given a New Name — USPS Service Alerts. Following disasters and events that affected the mail, such as Hurricane Sandy and the tornados in Oklahoma in FY2013, customers and employees regularly turned to the Mail Service Updates site on *usps.com* for service information. Residential and business customer feedback led the Postal Service to take a close look at the design of that web page with an eye toward finding ways to more effectively communicate with customers during service interruptions. The web page was reorganized to provide more complete, timely information about Postal facility disruptions due to weather-related and other natural disasters and events. A new section was added for residential customers so that they can learn whether their mail is being delivered or if their Post Offices are open.

The upgraded web page also provides commercial mailers with more detailed information on the operating status of mail processing facilities and delivery units, allowing them to better plan drop shipments and other operational activities. Important updates affecting international mailing are also available. The name change to *USPS Mail Service Alerts* reflects current industry naming conventions and was selected to reflect the near real-time information the USPS communicates to its customers about Postal facility service disruptions.

USPS.com Updated to Improve the Customer Experience. Customers provided feedback that it was difficult to know where to find applications and information on *usps.com* if it was not about shipping, managing the mail or a business-related question. Therefore, the Postal Service began a review and analysis of the website and refresh of the home page to make it easier for customers to find other types of services. As a result of the research conducted, the Postal Service expanded the Quick Tools buttons and added a new section called Popular Links. Now customers can easily find information about change of address, passports, P.O. boxes, mailing and shipping prices, and a contact link as well. Other additions were a banner with the price of Forever and postcard stamps and the News and Information section. More changes are planned based on usage data and customer feedback to continually improve the customer online Postal experience.

USPS Makes Online Address Changes Simpler. The Postal Service processes almost 40 million change-of-address requests each year and strives to make the process as simple as possible for customers. Customers do not have to go to the Post Office to file a Change of Address. They can use the Internet Change of Address (ICOA) service on *usps.com*. Customers can also alter their original change of address order without going to a Post Office or filling out additional forms. By going to *managemymove.usps.com* and entering their Change of Address confirmation code and their new ZIP Code, customers can make changes such as updating contact information, changing mail forwarding dates or cancelling orders altogether. Customers also can use a credit card with a billing address that is different from either the old or new addresses. This feature is particularly useful for customers whose credit card is associated with a P.O. Box or work billing address, or for those filling out a request for an elderly or deceased relative.

There is also new and improved real-time address verification. Addresses entered as the "move to" address are now immediately matched against the USPS database of deliverable addresses. If there is no match, the customer can be alerted immediately to correct the error before submitting the ICOA order. Customers will receive emails confirming their ICOA submission and alerting them when mail forwarding is about to end. ICOA users also will have access to move-related coupons and special offers.

V. Product development and modification

The Postal Service continues to enhance its services to help companies attract and retain customers. In an address to Postal Customer Council (PCC) members in September 2013, Postmaster General Patrick Donahoe highlighted the value of a merger of mail and the digital experience:

"*The more we can bring mail and the digital experience together, the more opportunities we create for people to buy your product, or donate to your cause or enhance your message.*"

Domestic Mailing Services

Election and Political Mail. To ensure that Election and Political Mailings were accomplished smoothly and timely, the Postal Service conducted employee training regarding proper procedures for handling such mail. Equally important was the comprehensive USPS communications effort with officials representing various election and political mail leadership and consultancy groups. The Postal Service provided updated election and political mailer guidance on strategy, planning and preparation of election and political mailings via conference calls, webinars and *usps.com*.

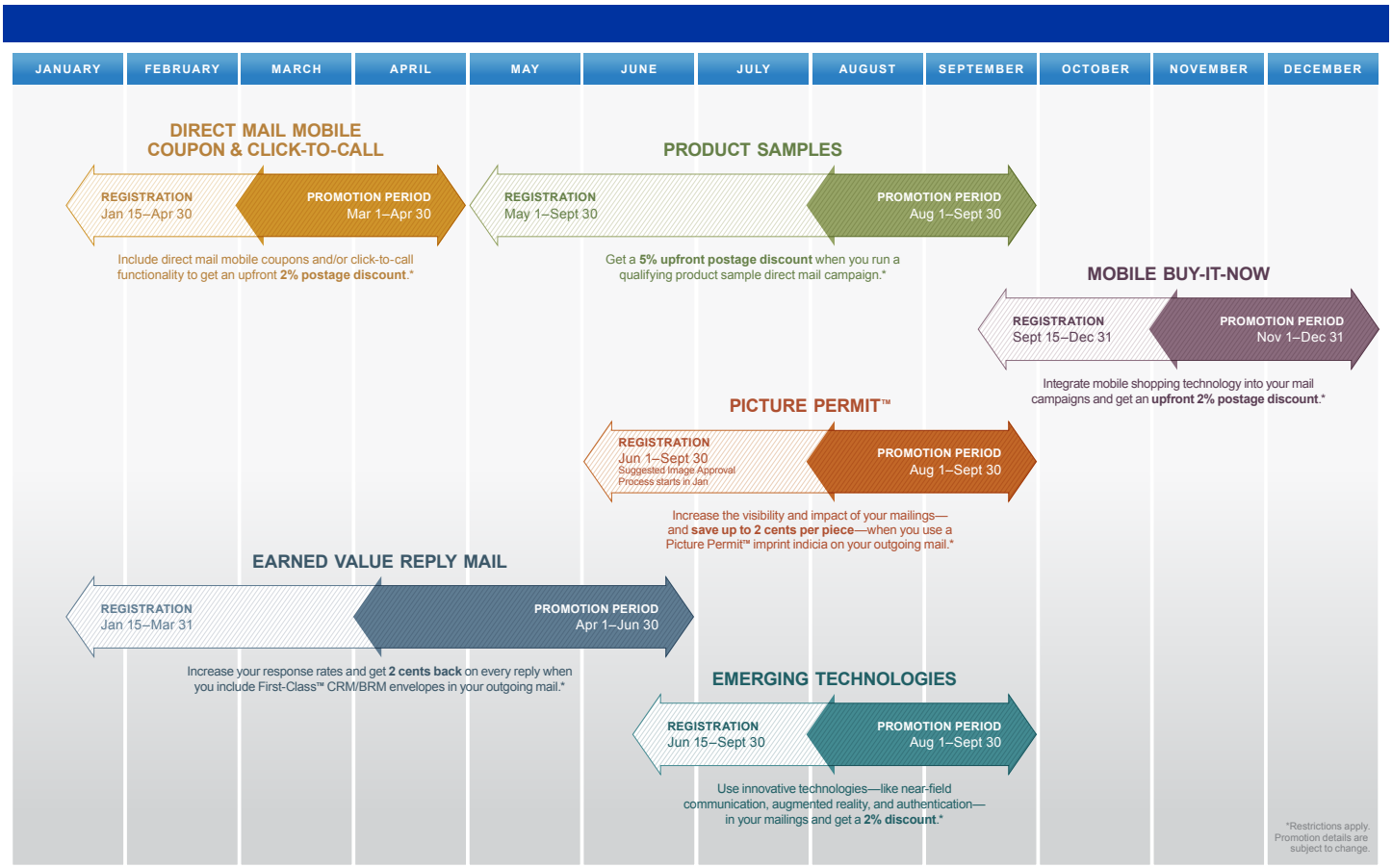
Mailing Promotions. To generate continued interest in direct mail and grow awareness of ways technology can improve direct mail, the Postal Service has developed a series of promotions. There are discounts offered on First-Class and Standard Mail for integrating mail with mobile and emerging technologies. In addition to these promotions, there are promotional opportunities for mailers encouraging them to employ more traditional methods of integrated marketing campaigns.

One such promotion was the Holiday Mobile Shopping Promotion that ran from November 7 through November 21, 2012. This promotion was intended to generate awareness of how integrating mobile technology in direct mail campaigns allows consumers to do their holiday shopping directly from a mailpiece using a mobile device. The promotion encouraged eligible mailers of First-Class Mail and Standard Mail letters, cards and flats to include a mobile barcode on the mailpiece that led to a mobile optimized shopping website. Customers earned postage discounts on over 3 billion First-Class Mail and Standard Mail pieces. The promotion also provided an opportunity for participants to earn an additional one percent postage rebate if a portion of the orders were fulfilled via Priority Mail.

In an effort to provide mailers with a wide range of options and to provide earlier notice of promotion opportunities, a 2013 Promotions Calendar was introduced in the fall of 2012.

Direct Mail Mobile Coupon and Click-to-Call. The Direct Mail Mobile Coupon Promotion encouraged mailers to integrate hard-copy coupons in the mail with mobile platforms or a click-to-call feature allowing a recipient to initiate a phone call by clicking on a button, image or text. Over 500 customers participated in the promotion and earned discounts on 2.6 billion eligible Standard Mail and First-Class Mail pieces.

USPS 2013 promotional calendar (see page 58)



Earned Value Reply Mail. This promotion was offered to mailers who use First-Class Mail Business Reply and Courtesy Reply Mail enclosures. Based on the number of mailpieces returned, an award credit was applied to the mailer's Permit Imprint account. Over 600 customers participated, earning rebate credits on 530 million BRM/CRM pieces.

Picture Permit Imprint. The Picture Permit Imprint program provides commercial mailers the creativity and flexibility to customize the permit indicia space of a First-Class Mail or a Standard Mail piece by adding a business-related image. During the promotion period, the fee for this program was waived for promotion participants. The promotion was successful in highlighting the benefits of the Picture Permit indicia and there was increased participation in the program.

Product Samples. This promotion was designed to re-invigorate product sampling via the mail by encouraging mailers to use product samples delivered by the USPS as a method to increase product usage, obtain new customers, and increase brand awareness. Participants received an upfront postage discount on qualifying Standard Mail Marketing parcels containing product samples.

Emerging Technologies. This promotion was designed to build on the goals of past mobile barcode promotions and to continue to increase awareness of how innovative technology such as Near-Field Communication, Augmented Reality and Authentication can be integrated with a direct mail strategy to enhance the value of direct mail. Ninety customers participated, earning postage discounts on over 1 billion eligible Standard Mail and First-Class Mail pieces.

Every Door Direct Mail. Every Door Direct Mail is a simple, affordable service from the U.S. Postal Service that allows both large and small businesses to reach customers without the need for names or addresses. First launched as a Market Test product in 2011, Every Door Direct Mail received PRC approval in November 2012 as a permanent product. It allows mailers two ways to enter mail — Every Door Direct Mail Retail and Every Door Direct Mail Commercial. Primarily, Every Door Direct Mail is used by small businesses such as restaurants, landscapers, florists and many other local merchants.

The USPS has also developed an online tool that Every Door Direct Mail customers can use to create mailings with a graphic mapping interface that allows users to target specific neighborhoods, cities, and ZIP Codes for their direct mailings. In 2013, the Postal Service continued to add significant new enhancements to the Online Tool. Demographic data options were added to the order process that users can select for more refined target marketing. Also added were a Quick-Check tool that allows customers to determine if their mailpiece size is acceptable before they place their order, improved PostalOne! functionality, streamlined payment options and new retail options for existing permit holders. In addition, an Every Door Direct Mail API (Application Program Interface) was developed and released for large mailers.

Other Mailing Products. In 2013, there were additional products introduced to increase direct mail use and samples. High Density Plus is a new product that encourages marketers and advertisers to mail incremental volume by establishing a new pricing tier for geographic-based marketing campaigns. Simple Samples was introduced as a product within Marketing Parcels. Simple Samples encourages marketers with value-based pricing within a given geographic area.

Domestic Shipping Services

Metro Post. In FY2013, the Postal Service began a year-long test of a new Metro Post service. Metro Post is a same-day delivery service designed to improve the experience of customers shopping on e-commerce sites. During the market test, Metro Post is being offered at select retailers within San Francisco, CA. It is available to all residential addresses in the San Francisco area. It is not available to business and P.O. Box addresses. Metro Post launched with a strategic alliance with leading online florist and gift shop retailer *1-800-Flowers.com*. Metro Post is available for purchases from four *1-800-Flowers.com* brands, including popcorn and specialty treats from The Popcorn Factory, cookies, and baked items from Cheryl's; premium chocolates and confections from Fannie May fine chocolates; and gift baskets and towers from *1-800-Baskets.com*. Consumers in San Francisco can use Metro Post premium service online or in person at a retail store that carries the participating companies' branded gift item. The daily deadline for a purchase to be delivered by Metro Post is 2 p.m. Deliveries will take place between 4 and 8 p.m. the same day. Since the launch with *1-800-Flowers.com*, 9 additional retailers have signed on to use the service.

Package Simplification. On July 28, the Postal Service streamlined its expedited product lineup to build on its strong Priority Mail brand and provide customers with day-specific delivery information for their shipping. This effort included several name changes: Express Mail was renamed Priority Mail Express, Express Mail International was renamed Priority Mail Express International and Express Mail Corporate Account was changed to USPS Corporate Account. All characteristics of the former Express Mail service remain under the new name, including up to $100 insurance coverage included in the price.

For both Priority Mail Express and Priority Mail, the Postal Service now provides information about day-specific delivery — 1-Day, 2-Day, 3-Day, Military or Diplomatic Post Office — on customer receipts and at *usps.com*. The Postal Service also received approval from the Postal Regulatory Commission to automatically include insurance — at no additional charge — for domestic Priority Mail shipments. Customers receive $50 or $100 of insurance coverage, depending on the postage payment method used and trackable barcode. Along with these enhancements, expedited packaging supplies were redesigned to highlight product features, such as USPS Tracking™ and free Package Pickup.

Parcel Post Transitions to Standard Post. Parcel Post, which celebrated its 100th anniversary on January 1, transitioned to Standard Post effective January 27. It also moved from the market-dominant product category to the competitive product category mostly to assist in meeting cost coverage and to better align with competitors' products. Standard Post now is a retail offering only. Customers are not able to select Standard Post on the postage statement and it is not available through PC Postage vendors, who offer Parcel Select Nonpresort and is the commercial equivalent ground product offering. Prices increased an average of 21 percent. USPS Tracking is included in all retail purchases of Standard Post at no additional charge to the customer. (On Jan. 27, USPS Tracking also was included for Priority Mail service purchased at retail.) Service standards and guidelines remain the same, as do Extra Services available. Although Standard Post is no longer classified under the "Package Services" umbrella, it remains a ground shipping product.

With the transition of Standard Post to competitive, Alaska Bypass Service was added to the market-dominant product list under Package Services.

Package Pickup Enhancements. During FY2013, USPS picked up a total 113.3 million packages from customers and introduced a number of enhancements to our Package Pickup program. As a result of these efforts, customers now can order expedited packaging supplies at the time of a pickup request made through the Package Pickup application, or through The Postal Store at *usps.com*. Supplies will be delivered in 1-2 days by the local Post Office. Customers also can bundle their pickup requests and modify or cancel recurring requests as a grouping. A 12-month visual calendar allows shippers to highlight the days of scheduled recurring pickup requests, giving them an illustrated view of their activity. It also enables pickups to be scheduled up to one year in advance. In additional enhancements, an estimated pickup window now provides customers with an anticipated time of pickup, and the Postal Service has automated the process for validating address files for large commercial customers and can assist with onboarding new customers within 24–48 hours.

Global Business

The Postal Service is continuing its long-term strategy of becoming a premier world-class global logistics services provider by enhancing international mailing products, creating new and strengthening existing bilateral contracts with partner postal operators worldwide and aggressively marketing its global services to customers throughout the United States and abroad.

First and foremost in these efforts are the goals of increasing net revenues for the organization and providing the highest service standards possible. Due to current international conditions, USPS Global Business is also offering its fullest cooperation in areas ranging from customs compliance to export trade regulation in an effort to promote international security measures which protect American interests while fostering international commerce.

Ongoing Bilateral Agreements. In the Asia/Pacific region, bilateral contracts with the postal operators of China, Hong Kong and Singapore were renewed during 2013, and a new contract with Korea is expected to start in March 2014. Other bilateral agreements either signed during the year, under review, or in the renewal process pipeline include Australia, Canada, Germany, the Netherlands, Norway and Vietnam.

First-Class Package International Service Click-n-Ship. Efforts to make international mailing easier and more customer-friendly continue within the Postal Service. During this fiscal year, for the first time customers may now purchase online First-Class Package International Service Click-n-Ship, in which lightweight packages (under 4 lbs.) can be mailed to over 180 countries. The new option joins the existing international Click-n-Ship services for Global Express Guaranteed (GXG) Mail, Priority Mail Express International, and Priority Mail International.

Priority Mail International (PMI) Regional Rate Box. A new service called PMI Regional Rate Box was introduced. The Priority Mail International Regional Rate Box is a complimentary service to the USPS Domestic Regional Rate Box, and encourages heavier shipments by customers who appreciate the convenience of flat rate pricing and free packaging supplies. This product is both e-commerce compatible and cost-effective.

Improved Customs Border Protection Manifesting System (CBPMAN). As a provision of the Postal Accountability and Enhancement Act (PAEA) of 2006, all Priority Mail Express International, Priority Mail International, and First-Class Mail International parcel shipments which require a customs form must be entered into the U.S. Customs Border Protection Manifesting System (CBPMAN). The two electronic forms relating to this process have been streamlined to reduce customer wait time and create greater efficiencies at the retail sales level. The United States Postal Service is leading the way to ensure that all existing measures of international security are promoted and maintained in order to protect and promote global growth in shipping.

New Commercial Outbound ePacket Service. At the beginning of the fiscal year, USPS launched a commercial outbound ePacket service for First-Class Package International Service items weighing up to 4 pounds. This service, available to commercial mailing customers only, targets the rapidly growing lightweight cross-border ecommerce market segment by providing electronic tracking to select destination countries. We will expand the service to additional countries throughout 2013 and beyond. Expansion countries have high growth rates in the e-commerce market, and we expect to see continued volume and revenue growth into 2014.

Enhanced First-Class Package International Service. In January 2013, Global Business enhanced our service to Canada by providing tracking on First-Class Package International Service (FCPIS) items mailed with on-line generated shipping labels. This new feature reaches lightweight cross-border shippers and businesses in the general public, including e-commerce related businesses. On July 28, this service was expanded to an additional 13 countries, representing approximately 90 percent of all of our online generated FCPIS volume. We expect to see growth for this product in 2014.

USPS International Merchandise Return Service (IMRS). As of August 2013, International Merchandise Return Service (IMRS) became available to customers for returns from Canada and Australia. IMRS is a trackable inbound return service for merchandise up to 66 pounds that uses the online generation of "no postage necessary" shipping labels and customs declarations. The IMRS solution simplifies the return process for the overseas buyer by eliminating the need to pay postage when tendering the return package to the overseas post. The buyer simply applies the label to the package and tenders it to the post, and the U.S. merchant is charged when the product arrives at the USPS delivery Post Office. We anticipate increasing volume and additional participating countries throughout 2014.

Global Direct Entry (GDE) Wholesaler Program. USPS first entered the inbound ecommerce arena by formally launching the Global Direct Entry (GDE) Wholesaler Program in the third quarter of 2013. Similar to the long established Postal Qualified Wholesaler Program, the GDE Wholesaler Program requires commercial wholesalers, who work closely with Global Business and customers, to collect shipments from overseas locations, transport them to the U.S., clear them through U.S. Customs, and enter them into the domestic USPS system for delivery. The wholesaler must ensure that the shipments are prepared in accordance with all applicable requirements and are manifested and labeled in accordance with the service type being used.

There are stringent requirements that a wholesaler must satisfy in order to be certified by the USPS, approved to enter into the GDE Wholesaler Program and be listed in the Mailing Standards of the United States Postal Service, *International Mail Manual* (IMM) as one of the select few participants. There are currently 5 GDE wholesalers listed in the IMM, and FY2013 revenue have exceeded $4 million.

Stamp Program

The Postal Service issues stamps as a convenient payment method for consumers. The "Forever" stamp concept was first introduced in April 2007 with a stamp featuring the image of the Liberty Bell and was designed for consumers' ease of use during price changes. In 2011, all domestic First-Class one-ounce stamps became forever stamps with the exception of stamps in coils of 500; 3,000; and 10,000. In FY2013, a new Global Forever stamp was introduced which is priced currently at $1.10 each and offers a single price for any First-Class Mail International 1-ounce letter to any country in the world. This Global Forever stamp may also be used to mail a 2-ounce letter to Canada.

In FY2013, there were 42 stamp issues with 121 designs recognizing American history, culture, people and achievements. Some of the stamps issued this year include the Emancipation Proclamation, Rosa Parks and March on Washington Civil Rights stamps; Music Icons that include Lydia Mendoza, Johnny Cash and Ray Charles; Muscle Cars; New England Lighthouses; Made in America; and the Stamp Collecting Inverted Jenny Souvenir Sheet.

The Postal Service is also authorized by Congress to issue semipostal stamps which are used to help raise funds for designated causes. The price of a semipostal stamp pays for the First-Class Mail single-piece postage price in effect at the time of purchase and reasonable reimbursement of costs to the Postal Service, plus an additional charge. This additional charge or "differential" funds causes designated by Congress that are in the national interest, with funds going to a Congressionally selected executive agency or agencies.

Four semipostal stamps have been issued since the program began in 1998 resulting in the donation of $93.6 million dollars. The two semipostal stamps currently on sale are the Breast Cancer Research and Save Vanishing Species stamps. The Breast Cancer Research stamp (1998-current) generated net proceeds of $1.8 million in FY2013 and $77.6 million since it was first issued in 1998. By law, 70 percent of the net amount raised is given to the National Institutes of Health and 30 percent is given to the Medical Research Program at the Department of Defense. The Save Vanishing Species stamp (September 2011–current) generated net proceeds of $0.8 million in FY2013 and $2.4 million in total since its 2011 release.

Two other semipostal stamps no longer on sale, the Heroes of 2001 and the Stop Family Violence stamps, generated $10.5 million for the Federal Emergency Management Agency and $3.1 million for the U.S. Department of Health and Human Services respectively.

For more information about the Postal Service stamp program, you may go to *store.usps.com/store/.*

Price Changes

According to the Postal Accountability and Enhancement Act of 2006, except in exceptional or extraordinary circumstances, Mailing Services prices, on average, can increase no more than the rate of inflation based on the Consumer Price Index for an Urban Family (CPI.u). In January 2013, overall Mailing Services prices increased by an average of 2.57 percent (rounded to 2.6 percent). The Postal Service increased the price of a one-ounce letter by 1 cent to 46 cents. Prices also increased for postcards, large flat envelopes and First-Class presort letters and cards. The price for a one-ounce letter to all international destinations increased to $1.10. Domestic retail prices for Priority Mail Flat Rate products also increased as did published prices for retail international Shipping Services.

In January 2013, Single Piece Parcel Post was renamed Standard Post and is now considered a competitive product.

Facing serious financial challenges and lack of Postal reform legislation in Congress, in September 2013, the Postal Service Board of Governors voted to seek price increases in 2014 above the annual increases associated with changes of the CPI. This proposal includes an increase in the price for a one-ounce letter from 46 cents to 49 cents, as well as other increases above the rate of inflation. This proposal is subject to change depending on action taken by Congress and review by the Postal Regulatory Commission.

VI. Workplace initiatives

The Postal Service remains a labor intensive organization. Managing this large workforce continues to be a challenge involving controlling complement in the face of declining mail volume, while at the same time maintaining a high level of employee engagement. Since over 50 percent of Postal employees are currently eligible for retirement, this also presents a further challenge to recruit and develop leadership for the future.

Measuring Employee Engagement

With such a large workforce, gauging employee opinion of the workplace environment is critical to improving management practices and gaining a high-level of employee engagement and commitment to the success of the Postal Service. Employee engagement is measured through the Voice of the Employee (VOE) survey. VOE surveys are administered by a third-party vendor who tabulates the results and reports them back to the Postal Service in summary form.

Once per year, each career employee is given a way to confidentially express their opinions about his or her work environment. Participation is voluntary and employees can complete the survey on-the-clock. In 2013, 258,312 or 52 percent of employees responded to the VOE survey.

In FY2013, the Postal Service set a national target of achieving an index score of 64.95. The national score for FY2013 was 64.70. Even in the face of current financial and restructuring challenges, employees remain committed to the Postal Service and to delivering the mail and packages for America. Responses to our FY2013 Voice of the Employee (VOE) survey confirm that 76 percent of employees feel a personal responsibility to help the Postal Service succeed as a business, 74 percent are proud to work for the Postal Service, and 83 percent understand how their work affects service.

The Postal Service remains committed to improving the way we measure employee engagement, administering the survey online for non-bargaining employees in FY2013, and in FY2014, we will extend the VOE survey participation to non-career employees.

Controlling Labor Costs

Retirement Opportunity Offered to American Postal Workers Union (APWU) Employees. At the beginning of FY2013, the USPS announced a Voluntary Early Retirement (VER) and Special Incentive Offer to employees represented by the American Postal Workers Union (APWU). The total incentive amount was $15,000 for full-time employees and a pro-rated amount for part-time employees. The incentive was offered to APWU employees eligible to retire under VER, APWU employees who had reached their minimum retirement age and service requirements, and those who wished to voluntarily resign. A total of 22,550 APWU employees accepted this special offer.

Arbitration Decisions Reached with the NALC and NPMHU. An arbitration decision on a contract between the Postal Service and the National Association of Letter Carriers (NALC) was reached in January. The contract went into effect January 10, 2013, through May 20, 2016. In February, the binding arbitration process between the USPS and the National Postal Mail Handlers Union (NPMHU) concluded and a contract went into effect February 15, 2013, which lasts through May 20, 2016. The results of the NALC and NPMHU Interest Arbitration Awards included several similar provisions:

- A two-year wage freeze followed by modest increases.
- A lower wage scale for new career employees, with a reduced entry step salary and lower cost-of-living adjustments (COLA).
- Creation of new, lower-cost, non-career employee categories — for the NALC the category is City Carrier Assistant (CCA) and for the NPMHU the category is Mail Handler Assistant.
- A decrease in the employer share of health insurance premiums.

Managing the Postal Workforce

Equal Employment Opportunity (EEO). The Postal Service is committed to providing a safe and productive work environment. EEO is viewed as a critical component in Postal Service efforts to recruit, develop and retain a diverse workforce. The Postal Service will not tolerate harassment of any type and holds managers responsible for preventing it.

The Postal Service provides high quality and timely complaint processing in accordance with EEOC regulations. This year 12,920 informal complaints were filed. There were 46 or 0.4 percent fewer informal complaints filed than a year ago. Similarly there were 4,388 formal complaints filed, resulting in 152 or 3.3 percent less formal complaints filed than for the same period last year. The reduction of complaints positively impacts productivity. Further, reducing complaints and resolving them in the early stages resulted in savings of approximately $3 million dollars in complaint processing costs.

Workplace Environment Tracking System (WETS). In order to manage the Initial Management Inquiry Processes and to ensure the Postal Service is adhering to established protocols, the Workplace Environment Tracking System (WETS), a new national database was deployed in August 2013. The application enables the tracking and analysis of performance at the Headquarters, Area and District levels.

The WETS serves as a central repository for four workplace environment processes: Initial Management Inquiry (MI), Workplace Harassment Fact-Finding (WHFF), Threat Assessment Tracking (TAT), and Workplace Environment Intervention (WEI).

The application enables EEO Compliance and Appeals and WEI to:

- Enforce compliance with established protocols.
- Analyze data to identify trends.
- Develop and implement proactive measures relevant to workplace harassment, threats, assaults and overall workplace environmental issues.
- Establish an affirmative defense.
- Limit the agency's liability.

Maintaining and Improving Dispute Resolution Processes — Overtime Grievances. In FY2013, as in FY2012, the Postal Service has focused its attention on reducing overtime grievances. Overtime disputes have been a consistent source of disagreement over an extended period of time. Individual districts have been challenged to identify the root problems that generate these grievances and develop and execute plans to resolve them.

Maintaining a Safe, Secure Workplace Environment. The USPS Illness and Injury (I&I) rate of 5.61 is 15 percent favorable to the comparable private sector industry rate of 6.60. In June, an enterprise-wide settlement agreement regarding compliance with electrical safe work practices was reached with the U.S. Department of Labor, OSHA, and the American Postal Workers Union. Positive and responsive interaction between the parties resulted in a penalty reduction from $6.2 million to $100,000. The agreement specifies increased training and personal protective equipment to be implemented over a two-year period.

Leadership Identification and Development

As the business environment of the Postal Service continues to change and retirement eligibility continues to be a significant risk, there is an urgent need to strengthen the leadership pipeline of the organization. The Postal Service's Leadership Development and Talent Management team has been focusing on developing and implementing strategies that identify, assess and develop the next generation of leaders at all levels of the organization.

Recently, several important changes have been made to the Postal Service's talent management programs, including:

- A Corporate Succession Planning (CSP) Open Season was held in 2013 which employed a new "leader led" process. Over 8,750 eligible EAS employees were considered and 1,714 new Potential Successors were selected. These new Potential Successors completed several assessments of the Executive competency and over 96% of them are currently working on Individual Development Plans (IDPs) geared to prepare them for expanded leadership roles.
- Additional funding was provided to support IDP activities of Potential Successors to our most critical PCES positions through a new Centrally Funded Development Program.
- An EAS Leadership Development (ELD) Program Open Season was held to identify talented employees who are interested in preparing for managerial roles in the field. Over 20,000 EAS employees were eligible, 3,659 applied — 2,665 were selected. These individuals are currently completing functional/technical and managerial assessments which will be used to develop robust IDPs.

To prepare employees for career advancement, learning opportunities are available for managers, executives, senior executives and officers. In addition to structured programs, there are virtual learning opportunities, and toolkits to help newly-appointed executives improve their negotiations, communications and organization skills. In 2013, the Postal Service also developed and piloted a customized Senior Executive Assessment and Development Center which will be used to prepare high potential executives for officer and Executive Leadership Team roles.

The Assessment Center was also augmented with strengthened executive coaching capabilities to aid our senior leaders with implementing robust development plans.

In FY2013, 843 employees participated in the following leadership programs:

Program	Number of participants
HR Manager Program	28
Managerial Leadership Program (MLP)	178
Advanced Leadership Program (ALP)	116
Executive Foundations Program	49
Executive Leadership Program	39
Coaching	47
Leadership Advantage (online just in time leadership development)	386
Total	843

Effective Communication and Employee Engagement

Communicating effectively with our large, diverse workforce stationed in thousands of locations throughout the country is challenging. To help them stay informed, the Postal Service makes information, tools and resources available to employees on its internal website, Blue. Additionally, a flagship electronic publication that reaches all Postal employees with email addresses, *USPS Link*, is produced every day. We also use video and multimedia presentations, posters and area newsletters, and field managers are supplied with materials for employee briefings and postings, including stand-up talks that are given by first-line supervisors.

Redesigning Training and Development Processes

With the changing demographic of our workforce, we experienced an increased number of entrants to the Postal workforce, and many individuals who transitioned to new supervisory and managerial roles. The urgent need to prepare these individuals for their new roles was a challenge that required the use of industry best practice learning technology and training approaches.

Several of our training courses for critical employee groups were redesigned in 2013, using a "blended learning" curriculum approach of classroom instructor led, e-learning, virtual instructor led, and action learning content. Training courses for new hires, City Carrier skills, Sales and Services Associates, and New Supervisors were among the programs redesigned and deployed in 2013. All of these redesigned training programs made training more accessible, more efficient and more interactive to meet the needs of these employee groups.

Compensation and Benefits

In FY2013, pay and bonuses for non-bargaining employees, including officers and executives, remained frozen. This was the sixth consecutive year that compensation for executive officers has been impacted by either a freeze in salary and/or a non-payment of performance lump sums.

Employee performance monitoring remains a part of the Postal management system. Employees set goals annually and individual performance is reviewed at mid- and end-of-the-fiscal year. No pay increases are currently associated with this process.

Executive Compensation.

Total Compensation in Excess of Federal Executive Level 1 Compensation ($199,700 in last full Calendar Year, 2012)

Executive name	CY12 amount in Excess of level 1 of the executive schedule
Drew T Aliperto	$19,300
Megan J Brennan	$35,300
Ellis A Burgoyne	$30,300
Joseph Corbett	$39,300
Patrick R Donahoe	$77,140
Jo Ann Feindt	$24,300
Mary A Gibbons	$30,300
Dean J Granholm	$19,416
Ronald A Stroman	$45,300
Anthony J Vegliante	$40,300
Paul E Vogel *	$112,475
David C Williams *	$63,984

** Includes annuity paid by Office of Personnel Management*
Note: Provided in compliance with Title 39, Section 3686 (d) which requires compensation in last full calendar year.

VII. Maintaining focus and managing change

The Postal Service has adopted a structured management process, Delivering Results, Innovation, Value and Efficiency (DRIVE), to improve business strategy development and execution against our major goals. It is sponsored by the Postmaster General with direct oversight from the Executive Leadership Team (ELT). This process is based on a well-established methodology used by many corporations to apply strategic and financial rigor to decision-making, and to navigate through significant organizational changes. This structured approach to organizing operational and management activities facilitates cross-functional dialogue and collaboration, provides streamlined reporting and accountability, and incorporates measurement, analysis, and evaluation of a portfolio of strategic change initiatives.

In FY2013, the Postal Service focused on a portfolio of 24 strategic initiatives that the Postal Service is striving to implement to meet its ambitious performance and financial goals. This portfolio of initiatives is dynamic and changes as priorities and resources require, and as programs are completed or adjusted based on external events. These initiatives support Postal corporate-wide goals as shown in the table to the right of this page.

The strategic initiatives identified for FY2013 were designed to respond to the economic and competitive environment currently facing the Postal Service. Many of these initiatives contribute to achieving multiple goals. For example improving the customer experience is also very important for revenue generation and improving the financial position of the Postal Service. Progress is tracked through a detailed reporting system and is reviewed every two weeks by the Executive Leadership Team for the Postal Service.

In FY2013, we continued to make improvements to our governance processes using industry best practice approaches to ensure successful outcomes. In June 2013, the Office of Inspector General (OIG) completed an audit of the DRIVE process. In its final audit report, the OIG found that the Postal Service's DRIVE program compares favorably to the best-in-class management practices.

Maintaining focus and managing change

We are focused on implementation

Structured, disciplined process

Develop portfolio of high-priority initiatives	Establish accountabilities, form teams, develop detailed charters	Execute plans against roadmap with detailed cross-functional review	Regular structure and intensive senior management review
Understand business environment	ELT sponsor assigns accountable "champion"	Formal Lean Six Sigma and Project Management training	Biweekly "Deep Dives" with ELT
Identify risks and opportunities	Cross-functional teams	Web-based tracking and reporting tools	Cross-functional team reports
Seek and incorporate stakeholder feedback	Financial cost and benefits assessment (business case)	Strategic Management Office support for Initiative Leads and Roadmap Owners	Link to investment/budget (business case update)
Rigorous cross-functional development of potential initiatives, using standard tools	Milestones, timelines, objectives (roadmaps)	Red-yellow-green reporting (schedule variance, risk scores, resulting variance)	Risk and barrier analysis (what is keeping you from completing necessary tasks?)
	Rigor test the quality of the roadmaps by asking the following questions: ■ Is the roadmap logical and executable? ■ Are the impacts clear? ■ Are the risks clear?		Adjustments and remediation

FY2013 strategic initiatives

Corporate goal	Strategies	FY13 initiatives	
Service	Optimize cost of operations and infrastructure to match future demands	■ Optimize Network Operations ■ Optimize Delivery Operations ■ Transform Access	■ Optimize Facility Footprint ■ Build a World-Class Package Platform
Customer experience	Improve customer experience measurement processes	■ Improve customer experience	
	Leverage technology to drive business value	■ Streamline commercial mail acceptance & enterprise payment	■ Achieve 6 sigma IT system reliability ■ Achieve 100% product visibility
Financial	Grow revenue from innovation, core products & markets	■ Build funnel & launch innovation ■ Grow small business revenue ■ Market new & existing products & services	■ Acquire, grow & retain customers ■ Integrate costing & pricing for profitable growth
	Establish the digital platform	■ Establish the digital platform	
	Strengthen financial & risk management capabilities	■ Obtain PCI compliance ■ Achieve 100% customer & revenue visibility	■ Enhance enterprise risk management capabilities
Workplace	Build competitive workforce of the future	■ Analyze workforce needs & manage the change ■ Develop labor agreements to build future workforce ■ Improve employee availability	■ Resolve dispute effectively ■ Establish USPS health care plan ■ Leadership indentification & development

VIII. Resources and support

Supply Management

Reshaping Supply Management. The Postal Service received a 2013 Institute for Supply Management — Michigan State University Award for Excellence in Supply Management in the Transformation of the Organization category and was one of three companies to receive this recognition. The Postal Service received the award for a three-year restructuring effort that included the creation of a centralized supply chain structure, the realignment of spend management to better leverage supply markets and technology investments, and improved and streamlined processes.

Using tools like Lean Six Sigma, the organization designed and implemented new, simplified procurement procedures, which resulted in a 65 percent cycle-time reduction. An electronic contract filing process also was implemented, with compliance reaching 100 percent following feedback and remediation actions.

Privacy. The Privacy Act of 1974, along with Federal and industry best practices, forms the foundation for how the Postal Service collects and uses information. The Privacy Act is a federal law that provides privacy protections for personal information that agencies maintain in a system of records. A system of records is a file, database or program from which information is retrieved by name or other personal identifier. In addition to limiting the type of personal information an agency may collect and how it may use that information, the Act also gives individuals greater rights of access to agency records about themselves, gives individuals the right to amend those records and restricts disclosure to others of personally identifiable information maintained by government agencies.

For more than two centuries, the Postal Service has maintained a brand that customers, suppliers and employees trust to protect the privacy and security of their information, whether it is their mail or electronically stored data maintained in a computer database.

The high level of trust afforded the Postal Service is documented in a study by the Ponemon Institute. Based on 2012 study results, the Postal Service was ranked as the fifth most trusted organization in the nation for privacy. For the last seven years, the Postal Service has also achieved the top trust rating among all other government entities named by consumers in the Ponemon study.

To achieve this high level of trust, our Privacy and Records Office remains current on legal and policy decisions, new technologies and best-in-class business models and practices. It has developed customer privacy policy and practices based on these models. To ensure Privacy Act compliance, the office is closely involved with and reviews new Postal projects and programs.

Freedom of Information Requests. The Postal Service complies with the Freedom of Information Act's (FOIA) disclosure requirements. The Act is a law that provides individuals the right to obtain access to records from the federal government. The FOIA is a means for the public to keep informed about how the federal government operates. Aside from nine specific exemptions which protect certain records from public disclosure, it is Postal Service policy to promote transparency and accountability by adopting a presumption in favor of disclosure in decisions involving FOIA and to make its records available to the public to the maximum extent consistent with the public interest. In FY2013, the Postal Service responded to 2,296 FOIA requests.

IX. Research and development

Secure Digital Solutions

Federal Cloud Credential Exchange. In November 2012, the United States Postal Service joined an intergovernmental pilot project to develop a Federal Cloud Credential Exchange (FCCX) on behalf of the federal government. The pilot project is led by the White House Office of the Federal Chief Information Officer and supports the implementation of the President's National Strategy for Trusted Identities in Cyberspace (NSTIC). In addition to the Postal Service, the FCCX pilot project is supported by the General Services Administration (GSA), the National Institute of Standards and Technology (NIST) and the Office of Management & Budget (OMB).

The Postal Service is implementing a pilot software solution to enable the public to use commercially issued digital credentials to access government services online with greater security, privacy and efficiency. Piloting a solution with select agencies will begin in early 2014.

The FCCX pilot project's goal is to create an online credential exchange service that will ease the burden of citizens who currently manage multiple credentials (e.g., usernames and passwords) for government agency applications, improve overall digital credentialing security and privacy and reduce the total cost across government platforms associated with digital credentialing.

FCCX will deliver a secure digital credential exchange platform that will promote greater confidence, privacy, choice and convenience for American consumers using government websites.

- The FCCX platform will improve the verification of digital credentials by enabling more protected and expedient interactions with participating federal agencies.
- Under the new FCCX model, state and local governmental agencies could eventually interface with FCCX to streamline digital credentialing requirements.

X. Corporate social responsibility and sustainability efforts

The USPS strives to operate in a socially responsible manner and to be a sustainability leader. We are committed to ensuring reliable, affordable mail service for our customers while being responsible for our effect on the environment and promoting community well-being now and for future generations.

Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

Universal Service

Even in the electronic age, the Postal Service plays an important role in the lives of most Americans. The exact meaning of the obligation the Postal Service has to "provide universal service" has been debated and studied independently by academics and consultants and by the Postal Service itself. Section 101(a) of Title 39 U.S.C. defines Postal operating policy, and succinctly captures not only the objective operation of the Postal Service but the spirit of its importance to the nation:

§ 101. Postal policy
(a) The United States Postal Service shall be operated as a basic and fundamental service provided to the people by the Government of the United States, authorized by the Constitution, created by Act of Congress, and supported by the people. The Postal Service shall have as its basic function the obligation to provide U.S. postal services to bind the Nation together through the personal, educational, literary and business correspondence of the people. It shall provide prompt, reliable and efficient services to patrons in all areas and shall render U.S. postal services to all communities. The costs of establishing and maintaining the Postal Service shall not be apportioned to impair the overall value of such service to the people.

In keeping with this operational mandate, the Postal Service delivers to 152,920,433 delivery points, adding 773,882 million in FY2013 alone. We also offer customers more than 70,000 retail access points including Post Offices, self-service kiosks and services offered through Stamps to Go, Contract Postal Unit, and Approved Shipper locations, as well as online and Stamps by Mail service options.

Diversity in the Workforce

The Postal Service recognizes the value of a diverse workforce. We maintain an environment that recognizes and values the richness of people's viewpoints, experiences, cultures and backgrounds. The Postal Service continues to identify new and innovative ways to attract, engage and retain high-performing diverse talent to drive organizational performance. We offer online training to expand employee knowledge of diversity and help managers develop their skills to interact with multiple workforce generations.

The efforts of the Postal Service were recognized in the summer issue of *Hispanic Network Magazine* which named USPS as among the "Best of the Best" for hiring Hispanics and for its focus on minority-owned suppliers. Companies are selected as "Best of the Best" based on analysis and scoring of their policies, hiring practices, and other activities that support equal access, advancement and inclusion of all individuals regardless of race, color, creed, religion, national origin, age, marital status, etc.

In FY2013, minorities comprised 40.28 percent of the workforce; women comprised 44.61 percent. Among Postal employees, 21.89 percent are Black or African-American; 9.10 percent are Hispanic or Latino; 7.78 percent are Asian; 0.7 percent are American Indian or Alaska Native; and 0.26 percent are Native Hawaiian or Other Pacific Islanders. The percent of employees who identified themsleves as two or more races was 0.54.

Supplier Diversity

Supporting Supplier Diversity and Promoting Competition. The United States Postal Service is committed to focusing on and improving our relationships with small, minority-owned and woman-owned businesses (SMWOBs). Through continuous improvement, we will work to improve our processes and procedures to ensure opportunities for all suppliers that provide the value-added products and services we need to increase customer satisfaction and decrease overall cost.

To maintain effective partnerships with our supplies and promote competition, the Postal Service conducted the following supplier outreach activities and shared the following information:

- Provided technical advice, program guidance and policy interpretation on Supplier Diversity issues.
- Acted as a liaison with industry and trade associations, government agencies and special emphasis groups to develop and maintain a communication and information system on small, minority-owned and women-owned business issues (e.g. Benchmarking Studies and Policy Updates).
- Participated in a number of activities that promote supplier development and diversity. Activities included: business forums, workshops, seminars, symposiums, business opportunity fairs and tradeshows.
- Assisted with strategic sourcing, identifying supply networks and providing useful sourcing tools.
- Collected, analyzed and reported Quarterly Direct Awards and subcontracting data.
- Published materials that support supplier diversity and promote competition. Examples: "Let's Do Business" and "Supplier Diversity Corporate Plan."
- Over 2,000 suppliers registered to do business with USPS in 2013, for a total of over 11,000 suppliers registered on Supplier Registration tool.Coordinated program-related communication, publicity, and maintenance of supplier diversity information on the USPS intranet and Internet sites.

For more information about Postal Service supplier diversity efforts, go to: *about.usps.com/suppliers/diversity-program.htm.*

Survey Names USPS Top Government Agency for Multi-Cultural Business Opportunities. Postal Service efforts on the part of Supplier Diversity have been rewarded in the marketplace. USPS has been recognized as the top government agency for providing business opportunities to women-owned and minority-owned companies in a survey by *DiversityBusiness.com*. More than 1.3 million diversity business owners participated in an online election sponsored by *DiversityBusiness.com* to determine the top 25 government organizations. The business owners were asked 10 questions about diversity business in the marketplace. Their answers were based on factors such as volume, consistency and quality business opportunities granted to diverse companies. This award exemplifies the USPS commitment to build and maintain mutually beneficial business relationships with multicultural suppliers.

Public Service and Community Support

The U.S. Postal Service and its employees strive to be responsible, committed members of their community. They support many organizations and many programs, including the ones summarized briefly below.

Delivering the Gift of Life Program. Since 1997, the Postal Service has supported the Be the Match Foundation in its efforts to increase the size of its marrow donor registry. The Postal Service leads the nation in recruiting potential donors, with 58,000 employees and family members listed in the registry. More than 80 volunteers have been asked to donate their marrow.

Stamp Out Hunger Annual National Food Drive. Letter carriers see the needs of their communities. For the last 21 years, they have collected food to help restock food banks, pantries and shelters nationwide. Carriers collected 74 million pounds of food in this year's drive which ended May 11, 2013. This was an increase of 5 percent over last year and the second-highest amount of food collected in the drive's history.

The Postal Service and the National Association of Letter Carriers (NALC), along with several other partners, supported the efforts of 1,400 NALC branches around the country. Other partners included: Feeding America, Campbell Soup Co., AARP, Valpak Direct Marketing Systems, Valassis/ Red Plum, United Way Worldwide, AFL-CIO, Uncle Bob's Self Storage, GLS Companies, Source Direct Plastics and the Publix grocery store chain. Rural letter carriers and other Postal employees, plus members of other unions and civic volunteers also helped, as did Family Circus cartoonist, Jeff Keane.

Combined Federal Campaign. Postal employees participate annually in the Combined Federal Campaign (CFC). This is a coordinated fundraising effort with more than 4,000 charitable organizations participating. Employees voluntarily contribute via payroll deductions, checks, cash and credit cards to the charities of their choice.

Carrier Alert. The Postal Service and the National Association of Letter Carriers (NALC) launched Carrier Alert in 1982 in partnership with social services programs across the country. Residents who participate in Carrier Alert require special attention and letter carriers are often the only daily visitors to the homes of these customers. Carrier Alert takes advantage of the daily presence of the letter carrier and the carrier's ability to notice anything out of the ordinary to help identify customers who may be in need of assistance due to illness or an accident.

Sustainability

At the Postal Service, sustainability means maintaining reliable, affordable mail delivery with minimal impact on the environment. We have cut facility energy usage by more than 30 percent since 2003, and every year recycle thousands of tons of paper and other materials. Due to the dedication of our workforce, we are taking long strides towards sustainability.

Our employee-led "Lean Green" teams help the Postal Service to save money by promoting recycling and smart energy use. Lean Green Teams throughout the Postal Service have committed to help create a culture of conservation. They have adopted green practices such as reducing energy and vehicle petroleum use, reducing the amount of solid waste sent to landfills, improving water efficiency, recycling and requisitioning fewer supplies. Members represent a wide range of areas including processing, delivery and retail operations, maintenance, facilities, supply management and human resources.

The Postal Service continues to receive recognition for its sustainability efforts. We not only work hard to make sure we comply with local, state and federal environmental laws, but in FY2013, we also launched or enhanced programs to help other companies and federal agencies be more environmentally responsible.

USPS Awards

- **USPS Receives Sustainability Award.** The leader of the Postal Service's Lean Green Team initiative was awarded the 2012 GreenGov Presidential Award — Sustainability Hero category for leading development of the USPS Lean Green Team Initiative. This award honors federal agency teams and individuals who coordinate innovative approaches to curbing waste, reducing energy use and saving money in operations. There are now over a thousand Green Teams across the Postal Service.
- **USPS Wins 10 Federal Green Challenge Awards.** The Postal Service is the only federal agency to make an agency-wide commitment to the Federal Green Challenge. In 2013, the Postal Service won 10 regional Federal Green Challenge awards given to individual Postal facilities throughout the country. Three awards were in the Waste category, four in Innovation, and one each for Education and Outreach, Leadership, and Overall Achievement and Innovation. These awards underscore the Postal Service's position as a sustainability leader in helping to reduce the Federal Government's environmental impact.

USPS Sustainability Management and Reporting

USPS Releases Federal Sustainability and Energy Performance Scorecard. The Postal Service released its Office of Management and Budget (OMB) sustainability and energy scorecard in 2013. The OMB scorecard is a reporting system required by Federal Executive Order 13514 for federal agencies to publicly report their progress toward established federal sustainability goals. As a self-funded federal agency, the Postal Service continues to voluntarily align many specific objectives to follow the federal goals including the OMB Scorecard. The Postal Service is committed to being a sustainability leader and our scorecard results demonstrate progress toward our sustainability goals. The Postal Service scored green for greenhouse gas emissions, energy intensity and reduction in potable water intensity. Reducing overall petroleum consumption continues to be a challenge because the total number of delivery points we must travel to serve our customers continues to grow each year. Further, we are confronted by an aging fleet of delivery vehicles and the lack of capital funds to replace or upgrade the fleet in the near future. We are working to optimize our delivery route efficiency and continue to test alternative-vehicle technologies.

Energy Conservation. With over 30,000 buildings nationwide, our vast network requires a lot of energy to support. We continue to evaluate new energy-saving technology and incorporate energy-efficient equipment into our operations. We have decreased our total facility energy consumption by nearly 34 percent from our 2003 baseline year. This is nearly equal to reducing the amount of energy consumed by 100,000 U.S. households in a year.

Greenhouse Gas Emissions Reporting. USPS generates greenhouse gas (GHG) emissions from facility energy use, transportation fuel use, waste generation, employee commuting and contracted transportation services. We prepare an annual GHG inventory in compliance with Executive Order 13514, the International Post Corporation and The Climate Registry. In 2012, we decreased our GHG emissions 9.9 percent from the 2008 baseline. This is nearly equal to removing 270,000 passenger vehicles from the road for a year. We are on track to reduce our GHG emissions 20 percent by 2020.

Fleet Management. The Postal Service has more than 200,000 vehicles. But did you know that we also have one of the largest alternative fuel fleets in the country? We have more than 40,000 alternative fuel vehicles ranging from ethanol, to propane to conventional hybrids. We are also on track to increase our alternative fuel use 159 percent from the FY2005 baseline.

Annual Sustainability Report. Every year the Postal Service releases an *Annual Sustainability Report* (ASR) reflecting on performance in the previous year. The 2012 ASR was released in April 2013. This report provides information about our progress and performance against our sustainability goals. The ASR is for our customers, our peers and our employees on *about.usps.com/what-we-are-doing/green/report/2012/.*

USPS Compliance with Regulations

Environmental Management and Regulatory Compliance. The Postal Service uses a management systems approach to identify and address existing and emerging environmental compliance issues and associated impacts. We are subject to numerous federal, state and local environmental laws and regulations. As part of our continuous improvement process, the Postal Service annually reviews facility risk assessment criteria to address business, regulatory and environmental aspects and impacts. In 2013, the Postal Service applied new corporate-level facility risk criteria to better manage risk mitigation resource planning.

Our environmental management system is a facility-based environmental risk assessment effort. These assessments identify current compliance issues as well as non-regulatory deficiencies that could, if not addressed, lead to non-compliance with local, state or federal environmental regulations. This benefits the Postal Service by minimizing potential fines and penalties and enhances our environmental stewardship by identifying and correcting compliance issues and instilling best practices. In 2013, the Postal Service completed more than 900 environmental risk assessments.

Addressing root causes is part of managing and reducing overall environmental risks to our organization.

Environmental Recordkeeping. In 2013, USPS focused on streamlining and standardizing environmental records management. To support this effort, we deployed a new environmental filing system to approximately 340 high risk facilities. The system, which includes both electronic and hard copy record retention mechanisms, improves compliance and reduces risk.

Promoting Environmental Responsibility

USPS introduced three new recycling programs to help consumers and federal agencies manage unwanted electronic waste. Since May 2012, these efforts resulted in more than 33,200 pounds of eWaste diverted from landfills.

USPS Introduces a Comprehensive Electronics Recycling Program for Federal Agencies. Executive Order 13514 mandates that U.S. government agencies must "employ environmentally sound practices for the disposition of all agency excess or surplus electronic products." To assist federal agencies to comply with this mandate, the Postal Service created the USPS BlueEarth™ Federal Recycling Program.

This program allows agencies and their employees to recycle qualified end-of-life products free of charge. The USPS designated recycler will fund the transportation cost via U.S. Mail from federal agency locations to the certified recycler's destination. Agencies can return official equipment and employees can return personally owned equipment via this program. Items accepted include: cell phones and accessories; laptops, notebooks and PC Towers; cameras, camcorders and camera equipment; media games and game systems; tablets and readers; MP3 Players, DVD and Blu-ray Players; inkjet and toner cartridges. Agencies and employees can make recycling arrangements by logging onto *blueearth.usps.gov*.

Cash-back opportunity — electronic device recycling through the mail. The USPS makes electronic recycling easy for consumers. By accessing *usps.com/return-for-good* consumers can go green as they trade in old electronic gadgets for cash. MaxBack offers cash in return for small electronics — with free postage-paid, return shipping through USPS. Once received, MaxBack inspects the item and sends money based on the customer's chosen options. MaxBack remarkets gently used cell phones and electronics safely and securely. Damaged or unusable electronics are remanufactured or recycled by a zero-landfill, ISO-14001 and R2-certified, reverse-logistics company. Devices covered by the program include cell phones, iPods and tablets.

Inkjet cartridge recycling offered at Postal retail locations. An inkjet lobby recycling program was available in select Post Offices. Customers simply placed their empty ink cartridges in the free postage-paid envelope and sent it off knowing that their cartridges would be handled in an environmentally responsible manner.

USPS BlueEarth™ Product Carbon Accounting Service Launched. Our USPS BlueEarth™ Product Carbon Accounting Service was made available during 2012 for business customers to measure and manage carbon impacts across their supply chains. This proprietary innovation follows the most widely accepted GHG accounting methods to calculate a shipping or mailing item's GHG emissions based on its characteristics, such as product type, size, weight, processing, distribution and transportation. This "no fee" service provides our business customers with monthly, quarterly and annual reports. *Carbonfund.org* Foundation has reviewed the methodology used for the USPS BlueEarth™ Carbon Accounting Statement and determined it is consistent with the carbon neutrality criteria for eligibility in the *Carbonfund.org* Carbonfree® Shipping program. USPS business customers interested in offsetting emissions created by mailing or shipping can purchase carbon credits using official calculation results from the USPS BlueEarth™ Carbon Accounting Statement. *Carbonfund.org* is the country's leading carbon reduction and offset organization.

Planning for the Future

Syracuse, NY, Colvin-Elmwood Post Office Green Roof Completed. Construction on the Postal Service's second green roof has officially been completed. Officials in Onondaga County, NY funded the design and construction of the green roof atop the Colvin-Elmwood Post Office as part of a local Save the Rain Project. The 11,300 square-foot roof will reduce the amount of storm water runoff flowing into Syracuse's municipal water system, providing an environmental benefit for the entire county. Construction began in 2012, and the roof planting began in spring 2013. The roof includes a new membrane, drainage sheet layers, indigenous vegetation and a wind blanket. The lifespan of the roof is approximately 50 years — nearly twice as long as the roof it is replacing — reducing maintenance costs for the facility.

Climate Change Mitigation and Adaptation. Understanding and reducing our carbon footprint is part of climate change mitigation, but we are learning to adapt as well. In FY2012, we completed our initial high level climate change adaptation plan. In FY2013, we began to develop a corporate plan. This plan will help identify where USPS is vulnerable to climate change — and how we can avoid and minimize disruptions in mail service. For the Postal Service, climate change adaptation planning is a form of risk management. The impacts of climate change could burden or disrupt our ability to provide mail service due to factors including an increase in frequency, intensity, and/or duration of extreme weather events, increased flooding driven by storms and rising sea levels, changes in temperature, precipitation and drought patterns and stress on the nation's transportation infrastructure. In the years ahead, USPS will be shaped by transformative forces, including economic, environmental, societal and technological shifts. We deliver to every community in America, touching the lives of millions of citizens. Therefore, proactive planning for potential disruptions to mail service is part of our mission. You can read our plan at: *about.usps.com/what-we-are-doing/green/pdf/APPENDIXA_USPSAdaptationPlan_29June12_V4.pdf*.

XI. Postal reform — implications for 2014 and beyond

In FY2013, the Postal Service continued to face an ongoing fiscal and liquidity crisis. Volume continues to decline due to electronic diversion of mail; there is a slow economic recovery from the Great Recession; there is a fixed cost base since the Postal Service must provide consistent pricing and service for all 50 states plus territories; prices are capped by inflation; and labor and benefits costs per hour, which are approximately 80 percent of total Postal costs, continue to rise. Although the Postal Service has taken steps to reduce the number of employees, consolidate plants and operate more efficiently, legislative action is still required to enable the Postal Service to regain financial self-sufficiency.

Key initiatives requested by the Postal Service that are being considered by Congress include:

- Restructure the U.S. Postal Service health care plan for employees and retirees.
- Refund Federal Employees Retirement System (FERS) overpayment and adjust future FERS payment amount.
- Adjust Delivery Frequency to six-day packages/five-day mail.
- Streamline the governance model (eliminate duplicative oversight).
- Provide authority to expand products and services.
- Require defined contribution retirement system for future Postal employees.
- Require arbitrators to consider the financial condition of the Postal Service.
- Reform Workers' Compensation.

The Postal Service remains committed to being a responsive, valuable organization that supports the needs of all of our customers, employees and other stakeholders. We will transform ourselves to meet the challenge of the digital age and continue to support communications and commerce domestically and internationally.

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The Sonic Eagle Logo and the trade dress of the Round Top Collection Box, the Letter Carrier Uniform, USPS packaging and the LLV Mail Truck are also among the many trademarks belonging to the United States Postal Service®.

Year references
All references to a specific year or "the year" refer to the Postal Service fiscal year ending Sept. 30. However, specific month and year references pertain to the calendar date.

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