United States Postal Service
2015 Annual Report to Congress

FY2015 Annual Performance Report and FY2016 Performance Plan

FY2015 Comprehensive Statement on Postal Operations

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The Year in Review

Financial Highlights

	Years ended Sept 30			Percent change from preceding year		
	FY2015	FY2014	FY2013	FY2015	FY2014	FY2013
(in millions)						
Total revenue	$ 68,928	$ 67,830	$ 67,318	1.6%	0.8%	3.2%
Total operating expenses	$ 73,826	$ 73,178	$ 72,128	0.9%	1.5%	(10.9)%
Interest, net	$ (162)	$ (160)	$ (167)			
Net loss	$ (5,060)	$ (5,508)	$ (4,977)			
Purchases of capital property and equipment	$ 1,222	$ 781	$ 667	56.5%	17.1%	(5.4)%
Debt	$ 15,000	$ 15,000	$ 15,000			
Deficit since 1971 regulation	$ (53,523)	$ (48,463)	$ (42,955)			
Total net deficiency	$ (50,391)	$ (45,331)	$ (39,823)			
(in actual units indicated, unaudited)						
Number of career employees	491,863	488,300	491,017	0.7%	(0.6)%	(7.1)%
Mail volume (pieces in millions)	154,157	155,539	158,222	(0.9)%	(1.7)%	(0.9)%
New delivery points served	1,059,852	971,543	773,882			

Investing in the Future

Never underestimate the power of mail, as a way to connect people, conduct commerce and merge the hard-copy and digital worlds in innovative and impactful ways. The mailing industry continues to help power our nation's economy. Contrary to reports of mail's imminent demise, revenue attributed to the mailing industry is growing. Here at the Postal Service, we're not standing still — we never have. We have a long history of adaptation, embracing new technologies and innovating to meet the evolving needs of the people we serve. We'll keep investing in the future because we're always looking forward.

While we continue to face financial challenges, our FY2015 results reflect our progress. The Postal Service continues to work with Congress and other key stakeholders to develop comprehensive legislation that results in meaningful, beneficial reforms to improve our business model and ensure long-term financial stability. At the same time, we're taking steps to help us succeed in a growing and competitive marketplace. For years, we've been upgrading our information technology platform, equipment and processes to generate accurate and high-quality data. In many ways, the entire organization is going through a data-driven transformation. How we use this information is changing the way we manage the organization. We're empowering employees with actionable, real-time data and analytics, and we'll continue to refine and improve the information and tools we use.

The continued double-digit growth of shipping and packages services is a direct result of our efforts to offer consumers more choice, excellent value and reliable service. The digital economy offers an unprecedented opportunity to address the needs of our customers, and we're making improvements to our network and infrastructure. However, the combination of package revenue growth and improved productivity gains are still not sufficient to offset mail volume declines and inflationary pressures, largely due to contractual increases in operating expenses. This underscores the need for a combination of continued revenue growth, increased efficiency and legislative reforms to ensure we can restore our financial viability, while continuing to meet our public service obligations.

We're focusing on our customers.

It's Sunday. Here's your package. Grocery shopping online? We can deliver it. Have a smart phone? You can track it.

We're in America's cities and towns six days a week, sometimes seven. We're open 24/7 online. We're delivering your letters and packages, picking up your returns, helping you communicate and conduct commerce in the digital economy. Whether you're a consumer or business, nonprofit or government, we help you connect, and let you know that you have options when you mail and ship with USPS.

Priority: You.

We're engaging and empowering our employees.

New cargo vans and delivery vehicles. Scanning packages with new mobile devices. Deploying advanced package sortation equipment. Want us to hold that package at the Post Office? Leave it with a neighbor? Intercept it?

Our employees are part of the fabric of American life. They're committed to delivering excellent service that's trusted and affordable. We're providing our people with new tools, training and resources to serve you even better.

Our service mission is more than 200 years old. It's deeply ingrained.

We're innovating and investing to meet our — and your — future needs.

What's in your mail? Get an electronic preview. Geo-fencing means digital addresses. A bigger mailbox? Your packages will thank us.

Innovation has always been part of the postal DNA. Adaptation is the key to our success. The Postal Service was out front in adopting automation and eco-friendlier transportation, among many examples. We'll keep testing — and launching — new approaches to better serve your changing needs. We'll continue to focus on our retail, delivery, network, digital and enterprise platforms to deliver world-class service.

We're always moving forward.

Letter from the Board of Governors' Acting Chairman and the Postmaster General

Over the past year, the Postal Service made a commitment to invest in the future — of the organization, our employees, our customers and the industries we serve. We made this commitment to ensure that we focus relentlessly on anticipating and preparing for tomorrow's marketplace, and that we embrace the challenge of continuous change and improvement to best serve the American public.

As you'll see in this report, we established important initiatives and strategies designed to strengthen core areas of our business and improve our long-term competitiveness. As we did so, we sought to leverage our core strengths: our people, our network, the universal service we provide and the value of the products and services we offer to our residential and business customers.

First and foremost, we're investing in our most important asset: our people. The demands of tomorrow's marketplace require a renewed commitment to customer-centricity and customer service. To meet those demands, we're developing tools and training to better enable our employees to provide customers with efficient, valued services, and to be in the best position to compete for America's mailing and shipping business.

Our mail processing, delivery and retail networks are being transformed. We're building an infrastructure to meet tomorrow's needs by investing in equipment and vehicles and systems. And the efficiencies we're creating today will ensure the long-term affordability of the delivery services we provide to the nation.

We've put information and technology at the center of our business strategies. We're finding ways to harness analytics and insights and information to empower our employees and our customers. We're also speeding the pace of innovation, and developing mobile and digital tools to play a larger role in the daily digital lives of our customers.

The Postal Service is already a technology-centric organization. We use the world's most advanced tracking and information systems to speed the flow of mail and packages throughout our network, creating literally billions of data points every day. We're leveraging the information derived from that robust scanning and tracking to add value to the senders and receivers of mail and packages — and to create new products and services to spur growth in the mailing industry and drive American commerce.

Despite the legislative constraints on our business model, our financial, operational and marketing results for fiscal year 2015 reflect strong momentum and progress. We would like to thank the more than 600,000 dedicated Postal Service employees who helped achieve our success and make our organization more responsive and proactive in a dynamic marketplace.

America needs a strong Postal Service that can continue to play an indispensible role as a driver of commerce and as a provider of delivery services that connect the public to one another — reliably, affordably and securely, and to every residential and business address. We're proud of the progress we've made in 2015 and we will continue investing in a strong and sustaining future for the United States Postal Service in 2016.

Megan J. Brennan
Postmaster General
and Chief Executive Officer

James H. Bilbray
Acting Chairman,
Postal Service Board of Governors

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.

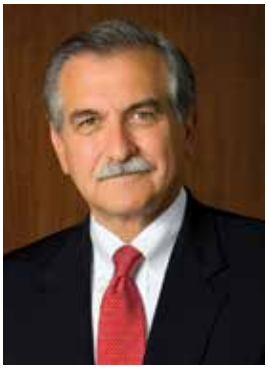
The other two members of the Board are the Postmaster General and the Deputy Postmaster General. The Governors appoint the Postmaster General, who serves at their pleasure without a specific term of office. The Governors, together with the Postmaster General, appoint the Deputy Postmaster General.

In 2015, the President of the United States made five Governor nominations, each of which awaits Senate action. If the Senate does not confirm any of the Governor nominees prior to December 8, 2015 — the date on which two of our three active, independent Governors' terms expire — our Board will consist of only one Governor plus the Postmaster General and Deputy Postmaster General.

The critical responsibilities of our Governors include setting our rates and appointing our Postmaster General and Deputy Postmaster General. In the event that no Governors are in place, these critical responsibilities may not be completed, leaving us without the ability to adjust our rates as needed, and without the ability to appoint or replace our two most senior executive officers as needed.

James H. Bilbray

Acting Chairman of the Board of Governors. Member of the Compensation and Management Resources Committee. Attorney at the law firm of Kaempfer Crowell Renshaw Gronauer & Fiorentino in Las Vegas, NV. Former member, U.S. House of Representatives from Nevada. Former member, Nevada State Senate. Former Deputy District Attorney in Clark County, NV. 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. 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. Non-executive Chairman of the Board of Vectrus Corporation and Chairman of Meadowkirk Retreat Center.

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.

Megan J. Brennan

In February 2015 was named the 74th Postmaster General of the United States and the Chief Executive Officer, and a member of the Board of Governors. Chief Operating Officer and Executive Vice President of the Postal Service from December 2010 through January 2015. Vice President of the Eastern Area Operations from April 2005 through December 2006, and Vice President of the Northeast Area Operations from December 2006 through December 2010. Started her career as a letter carrier in 1986, and is the first female Postmaster General for the Postal Service.

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 Minority Staff Director, Committee on Oversight and Government Reform 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 Executive Leadership Team

The Executive Leadership Team (ELT) of the United States 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.

Megan J. Brennan

Postmaster General and Chief Executive Officer

Ronald A. Stroman

Deputy Postmaster General

David E. Williams

Chief Operating Officer and Executive Vice President

Randy Miskanic

A/Chief Information Officer and Executive Vice President

Joseph Corbett

Chief Financial Officer and Executive Vice President

James Cochrane

A/Chief Marketing and Sales Officer and Executive Vice President

Thomas J. Marshall

General Counsel and Executive Vice President

Jeffrey C. Williamson

Chief Human Resources Officer and Executive Vice President

Other Officers*

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

Brian W. Carnell
A/Vice President, Information Technology

Robert Cintron
Vice President, Enterprise Analytics

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

Guy J. Cottrell
Chief Postal Inspector

Gregory S. Crabb
A/Vice President, Chief Information Security Officer and Digital Solutions

Jo Ann Feindt
Vice President, Area Operations (Southern)

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

Elizabeth A. Johnson
A/Vice President, Corporate Communications

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

Linda M. Malone
Vice President, Network Operations

Maura A. McNerney
Vice President, Controller

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

Julie S. Moore
Secretary of the Board of Governors

Shaun E. Mossman
Vice President, Finance and Planning

James A. Nemec
Vice President, Consumer and Industry Affairs

Edward F. Phelan, Jr.
Vice President, Delivery Operations

Gary C. Reblin
Vice President, New Products and Innovation

Nancy L. Rettinhouse
A/Vice President, Employee Resource Management

Cliff Rucker
Vice President, Sales

Tom A. Samra
Vice President, Facilities

Cynthia Sanchez-Hernandez
Vice President, Pricing

Kristin A. Seaver
Vice President, Area Operations (Capital Metro)

Kelly M. Sigmon
Vice President, Retail and Customer Service Operations

Douglas A. Tulino
Vice President, Labor Relations

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

Giselle E. Valera
Vice President, Global Business

**As of September 30, 2015.*

A universal delivery service that connects people.

Mission — The Postal Service mission is to provide a reliable, efficient, trusted and affordable universal delivery service that connects people and helps businesses grow.

Vision — The Postal Service is dedicated to improving its services, products and capabilities to adapt to the changing needs of customers in the digital age.

PART 1

FY2015 Annual Performance Report and FY2016 Annual Performance Plan

U.S. Postal Service FY2015 Results and FY2016 Targets for Corporate-wide Goals

Deliver High-Quality Services

Provide Excellent Customer Experiences

Ensure a Safe Workplace and Engaged Workforce

Sustain Controllable Income

Key Financial and Operating Statistics

Mission and Vision

Our mission of providing a universal delivery service to bind the nation together was established in the U.S. Constitution. It's been the foundation of Postal Service policy for over 200 years and it focuses our vision of the future where we must continually adapt to best meet the changing needs of the nation and our customers.

Mission — The Postal Service mission is to provide a reliable, efficient, trusted and affordable universal delivery service that connects people and helps businesses grow.

Vision — The Postal Service is dedicated to improving its services, products and capabilities to adapt to the changing needs of customers in the digital age.

Report Purpose and Structure

The Postal Service is dedicated to transparency and effectively communicating to our numerous stakeholders. Key among these stakeholders are the commercial and residential customers whom we serve, legislators and regulators who provide oversight and ensure transparency and performance, and employees who deliver world-class service.

In addition to communicating performance to our stakeholders, this report satisfies the public reporting requirements contained in Title 39 U.S.C. § 2401(e), § 2402, § 2803 and § 2804, along with the Postal Accountability and Enhancement Act (PAEA) of 2006 Section 3652. These regulations require the Postal Service to provide an Annual Report to Congress, an Annual Performance Report, an Annual Performance Plan and a Comprehensive Statement of Postal Operations. This report covers Postal Service performance for the 2015 fiscal year (October 1, 2014, to September 30, 2015) and reviews the Postal Service's plans for the 2016 fiscal year (October 1, 2015, to September 30, 2016).

The *FY2015 Annual Performance Report* and *FY2016 Annual Performance Plan* present an array of metrics the Postal Service uses to measure performance across the organization. These metrics provide visibility across the following critical functions: delivery service, financial performance, workplace environment and customer experience.

The FY2015 Comprehensive Statement on Postal Operations provides a more detailed description of the key organizational developments during last fiscal year and the key initiatives underway that support the corporate goals for the next fiscal year.

Related Reporting Requirements

The Postal Service is among the most transparent organizations in the world. Legislation and regulation require the Postal Service to disclose operational and financial information beyond that demanded of federal government agencies and private sector companies.

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

Title 39 of the United States Code and the PRC mandate further disclosures of the Postal Service, its operations and finances. These requirements include Cost and Revenue Analysis, Revenue, Pieces and Weight reports and financial and strategic plans. These disclosures are reviewed by the PRC but are outside the scope of our Independent Registered Public Accounting Firm. These can be found online at *www.about.usps.com*.

U.S. Postal Service FY2015 Results and FY2016 Targets for Corporate-wide Goals

The Postal Service has established a core set of enduring goals that provide a guide for all our strategic initiatives and continuous improvement efforts:

- Deliver High-Quality Services
- Provide Excellent Customer Experiences
- Ensure a Safe Workplace and an Engaged Workforce
- Sustain Controllable Income

These goals not only serve to guide how we measure corporate performance, but form the foundation of our employee pay-for-performance system.

Service is measured by transit time with regard to mail. Customer insights are based on a composite set of measurements, which taken together, present an improved view of customer satisfaction. The new survey metrics are both relational- and event-based. Financial performance is evaluated using operating income and deliveries per hour. Occupational Safety and Health Administration (OSHA) Illness and Injury rates and the Gallup Q12 Employee Engagement Survey, known internally as the Postal Pulse Survey, are used to assess the workplace environment.

With intricate metrics established to track performance and report results, leadership is able to continuously monitor and identify specific opportunities to improve operations and the workplace environment. FY2015 performance results and targets for FY2016 are provided on the next page.

U.S. Postal Service FY2015 Results and FY2016 Targets for Corporate-wide Goals

Goal	Measure	FY2016 Target	FY2015 Actual	FY2015 Target	FY2014 Actual	FY2014 Target	FY2013 Actual	FY2013 Target	FY2012 Actual	FY2012 Target
Deliver High-Quality Service (% on-time)	Single-Piece First-Class Mail									
	Overnight[1]	N/A	95.55	96.80	96.00	96.80	96.14	96.70	96.48	96.65
	Two-day	96.50	93.28	96.50	94.90	96.50	95.26	95.10	94.84	94.15
	Three-to-Five-day	95.25	76.56	95.25	87.70	95.25	91.60	95.00	92.29	92.85
	Presort First-Class Mail									
	Overnight	96.80	95.74	96.80	97.00	96.80	97.20	96.70	96.80	N/A
	Two-day	96.50	93.56	96.50	96.40	96.50	97.00	95.10	95.70	N/A
	Three-to-Five-day	95.25	87.78	95.25	92.20	95.25	95.10	95.00	95.10	N/A
	First-Class composite[2]	96.00	89.64	96.00	94.11	96.00	N/A	N/A	N/A	N/A
	Standard composite[3]	91.00	89.58	91.00	90.09	91.00	N/A	N/A	N/A	N/A
Provide Excellent Customer Experiences (%)[4]	CEM composite (2011–2013)	N/A	N/A	N/A	CEM Sunset	CEM Sunset	78.40	82.50	79.00	82.00
	Residential (2011–2013)	N/A	N/A	N/A	CEM Sunset	CEM Sunset	82.00	85.00	82.50	85.00
	Small/medium business (2011–2013)	N/A	N/A	N/A	CEM Sunset	CEM Sunset	76.40	81.00	77.17	81.00
	Customer Insights[5]	86.70	85.73	86.70	Baseline	Baseline	N/A	N/A	N/A	N/A
	Business Service Network (BSN)	N/A	94.32	N/A	Baseline	Baseline	N/A	N/A	N/A	N/A
	Point of Sale (POS)	N/A	86.28	N/A	Baseline	Baseline	N/A	N/A	N/A	N/A
	Delivery	N/A	77.49	N/A	Baseline	Baseline	N/A	N/A	N/A	N/A
	Customer Care Center	N/A	76.00	N/A	Baseline	Baseline	N/A	N/A	N/A	N/A
Ensure a Safe Workplace and Engaged Workforce	OSHA illness and injury rate[6]	6.05	6.55	5.10	6.68	5.10	5.63	5.20	5.44	5.72
	Voice of the Employee Survey (%)	N/A	N/A	65.10	65.01	65.10	64.70	64.95	64.70	64.90
Sustain Controllable Income[7]	Deliveries per Hour (calculated rate)	42.00	41.50	42.40	42.00	42.90	41.60	42.70	41.00	42.20
	Net Controllable Income (Loss) ($ in billions)	0.10	1.19	1.10	1.35	1.10	(1.00)	(2.00)	(2.40)	(3.00)

[1]In FY2016 the service performance target for Overnight Single-Piece First Class Mail was removed due to the service standard changes of 2015.
[2]For FY2015 the service performance target will be a combination of Single-Piece First-Class and Commercial First-Class performance for an aggregate of overnight, Two-day and Three-day service.
[3]For FY2015 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.
[4]In FY2013 the Customer Experience Measurement (CEM) was replaced with a refined Customer Insights (CI) measurement system as the key measure of customer experience for our National Performance Assessment (NPA) system and our employee Pay for Performance System (PES). Last year served as the baseline measure for this new metric and compensable targets were established for FY2015.
[5]Customer Insights is a corporately approved and compensated composite performance measure. Targets for the four subcomponent categories of Customer Insights (BSN, POS, Delivery, and Customer Care Centers) are set and compensated at unit level.
[6]Injury and illness rate is calculated using an industry-wide 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 represent 100 employees working 2,000 hours per year. It provides the standard base for calculating incidence rates.
[7]FY2014 targets adjusted to reflect deferral of Network Rationalization, Phase 2.

Deliver High-Quality Services

The Postal Service measures service performance in terms of speed and reliability as part of our commitment to deliver high quality service to customers. Of particular focus are First-Class Mail Overnight, Two-day and Three-to-Five-day services, which are among the most widely used mail categories. Individual consumers, small businesses and larger commercial firms all rely on First-Class Mail, which comprises nearly all parts of the Postal Service's operations and supply chain, from collection boxes and retail counters to final delivery. In FY2015, the Postal Service continued to measure service performance through a combination of both Single-Piece First-Class and Commercial First-Class performance for an aggregate of Overnight, Two-day and Three-to-Five-day services. Single-Piece First-Class Mail International provides a measure of the domestic leg of travel for Single-Piece International mail.

The Postal Service has contracted an independent third-party entity since 1990 to objectively measure performance for Single-Piece First-Class Mail via the External First-Class Mail (EXFC) system. This external sampling system measures the time it takes from when mail is deposited in a collection box or lobby chute to when it's delivered at a home or business. Performance is measured in 892 ZIP Codes for Single-Piece First-Class Mail cards, letters and flat envelopes. Service performance for Single-Piece First-Class Mail parcels, which is measured using an internal Postal Service system, is combined with EXFC performance to generate overall Single-Piece First-Class Mail results.

Similarly, Presort First-Class Mail in FY2015 was measured through a hybrid measurement approach that combined Full-Service Intelligent Mail data from commercial mailers and relied on data collection by an external entity. This process measured the time from mail acceptance to final processing, which involved the collection of data on transit time from final processing to mail processing equipment and through to delivery. The processing and delivery data were aggregated, combined and reviewed by the external entity to measure overall commercial mail performance.

FY2015 Performance Report — For FY2015, the Postal Service did not achieve its targets for First-Class Mail. Service performance achievement for Overnight mail in both Single-Piece and Commercial categories remains strong with minimal slippage compared to FY2014 performance. The ongoing growth in package mail has resulted in continual balancing between air and surface networks, impacting Two-day and Three-to-Five-day categories. Weather incidents continue to affect performance and comparison to previous years. During FY2015, the Postal Service implemented major changes to create efficiencies in processing that resulted in complement shifts and initially impacted our ability to achieve the targets. We deferred any additional processing network changes to provide a period for stabilization of our workforce and service performance. Since then, we've shown continual improvements in overall service performance.

FY2016 Performance Plan — We believe that the eventual completion of the second phase of the network consolidation project in FY2016, coupled with our current efforts to re-balance our air and surface networks, will improve overall service performance and allow the Postal Service to meet its targets. The Postal Service will also continue our evolution of Lean activities in processing and delivery along with customer-focused operations to provide an efficient and consistent experience. We will continue to drive service performance and increase product value for all customer segments of our country.

Provide Excellent Customer Experiences

The Postal Service is dedicated to delivering excellent customer experiences. The Customer Insights (CI) measurement system provides a comprehensive view of the customer experience across the most frequently used customer contact channels. Touch points of customer contact are:

- Business Service Network (BSN) — The BSN survey is event based and measures the customer's level of satisfaction with their BSN account representative.
- Point of Sale (POS) — The POS survey is event based and measures the customer's experience at retail locations.
- Delivery — The delivery (receiving) survey is a hybrid relational/event-based measurement of the level of satisfaction with how residential and small/medium business customers receive their mail.
- Customer Care Center (CCC) — This live agent survey is event based and measures the customer's satisfaction with dealing with a CCC agent.

Customer experience is measured across four touch points, then weighted and aggregated to create a national composite CI score. The modular components and flexible design of the national composite CI score allow expansion and inclusion of additional points of contact to meet the quickly changing customer landscape. To support the USPS mission of delivering excellent customer service, the CI composite score is a component of the USPS National Performance Assessment (NPA) system which links the CI performance score and the employee Pay for Performance system. This emphasizes that each and every employee is responsible for ensuring our customers receive exceptional service.

FY2015 Performance Report — Customer Insights ended the fiscal year achieving a composite score of 85.73 percent compared to its target of 86.70 percent. Even though this narrowly missed the target by about 1 percent, the Postal Service can point to substantial improvements in the response rates of various CI components. The response rate for the retail POS survey, for example, increased significantly — approximately 500 percent. To achieve this, we provided additional training for our retail employees in key markets and asked customers for their feedback by circling the Web address on their receipts. We also rolled out training that focused on improving key elements of our retail customers' visits. By using QR codes and interactive voice response systems, and fostering an environment of effortless accessibility for our customers, we've been able to make notable strides in capturing additional customer insights. Expanding the ways customers could respond to both the POS and Delivery surveys has increased opportunities for customers to share their experiences. (See table on next page.)

Goal	Measure	FY2015 Actual (%)	FY2015 Target (%)	FY2015 Total Surveys Initiated (actual numbers, unaudited)	FY2015 Total Surveys Returned (actual numbers, unaudited)	FY2014 Total Surveys Returned (actual numbers, unaudited)
Provide Excellent Customer Experiences	**Customer Insights**	**85.73**	**86.70**	**N/A**	**N/A**	**N/A**
	Business Service Network (BSN)	94.32	N/A	21,933	4,343	1,904
	Point of Sale (POS)	86.28	N/A	1,154,499,008*	870,501	173,290
	Delivery (Combined)	77.49	N/A	5,715,453	78.635	Baseline
	Delivery (Residential)	80.32	N/A	2,148,428	38,034	Baseline
	Delivery (Small/Medium Businesses)	74.65	N/A	3,567,025	40,601	Baseline
	Customer Care Center (CCC)	76.00	N/A	1,280,652	111,227	11,362

Note: *Customer Insights is a corporately approved and compensated composite performance measure.Targets for the four subcomponent categories of Customer Insights (BSN, POS, Delivery and Customer Care Centers) are set and compensated at unit level.*
**Represents total POS financial transactions.*

FY2016 Performance Plan — In the next fiscal year, the Consumer and Industry Affairs department will build on its cross-functional collaboration with stakeholders from all customer contact channels to improve customer focus and drive performance. The CI program will continue to be used to measure performance and drive improvements at our customer touch points. Our CCCs are well-positioned to improve FY2016 performance by addressing the three key drivers of customer satisfaction — accessibility, knowledge and professionalism. The call centers will make even better use of our agent quality program, enhanced agent refresher training, technological advances in integrated voice recognition software and immediate agent coaching. Also, a revamped delivery survey will provide more visibility into the customer's experience with mail delivery so we can better address possible carrier-related issues and identify areas for improvement.

Additionally, we'll continue to develop videos, publications, service talks and training for employees to provide education and highlight elements of our customers' visits that matter most to them. We'll continue to work to improve response rates to our surveys.

Ensure a Safe Workplace and Engaged Workforce

Keeping employees safe is a priority of the Postal Service. USPS tracks two metrics as an indication of our performance in ensuring a safe workplace and an engaged workforce. The first metric is OSHA's Illness and Injury (I&I) rate and the second is the Postal Pulse Survey.

OSHA Illness and Injury Rate

FY2015 Performance Report — OSHA requirements are designed to protect Postal Service and contract employees from safety and health hazards in the workplace. All private and public sector employers are subject to OSHA regulations; however, the Postal Service is the only federal agency that can be assessed penalties and fines for noncompliance. The USPS measures performance on two levels. The first is by establishing a target injury and illness frequency rate and the second is by establishing performance improvements over the prior year. In FY2015, the OSHA I&I frequency rate for the Postal Service as reported to NPA was 6.55 — nearly a 2 percent decrease over the revised actual rate reported for FY2014. The FY2014 performance reported as of September 30, 2014, was 6.34 which was later restated to 6.68 due to employee claims filed after the

close of the fiscal year. Although we did not meet our NPA target in FY2015, the Postal Service continues to reduce accidents and improve performance. The failure to meet the actual target rate reflects major changes to the business and a significant increase in new employees who are more at risk for injury.

The decrease in the OSHA I&I rate year over year is due primarily to comprehensive training and communication effort aimed at all employees with a focus on new, at-risk employees. In FY2015, our communication and training campaigns addressed the most frequent hazards of the workplace, such as dog bites, extreme heat, distracted driving and proper lifting and reaching. In addition, we developed an ergonomic strategic plan that outlines goals, objectives and key initiatives for developing and using quantitative tools to measure exposure to musculoskeletal disorder risk factors and ways to change job conditions to reduce the level of exposure — before an injury occurs.

A newly released safety statistical dashboard also provides targeted data to our field leadership that enables them to quickly identify the top causes of accidents at a facility level. This data provides direction for creating a tailored safety program.

FY2016 Performance Plan — In FY2016, the Postal Service will add an additional focus on prevention strategies and a more proactive approach to employee safety. This focus will be on all accidents, regardless of severity or OSHA record-keeping requirements, and will place additional emphasis on employees considered to be at higher risk for accidents. These at-risk employees are those who are new to the organization and less experienced with safe work practices, as well as experienced workers who are facing new challenges. Our safety initiatives for the next year will assist the field in establishing effective accident reduction plans, enlisting the cooperation and support of our employee partners and taking steps to address the increase in motor vehicle accidents. We also will implement programs to acknowledge leaders who demonstrate exceptional commitment to creating a safe work environment.

Postal Pulse Survey

FY2015 Performance Report — Improving employee engagement is a top priority for our organization. Creating a dynamic, highly engaged workplace where employees work with passion, perform at consistently high levels and drive innovation benefits both our employees and our organization.

One way we measure our progress towards increasing employee engagement levels is by administering an employee survey. In FY2015, we replaced our longtime Voice of the Employee (VOE) survey with the Gallup Q12 Employee Engagement Survey, which was introduced to employees as the Postal Pulse. This twice-a-year survey is far superior to the VOE survey as an instrument for measuring employee engagement. It's shorter, simpler to complete and includes actionable items. Moreover, the survey questions are research based and have proven to be statistically valid and reliable over time for measuring employee engagement and its relationship to key business indicators like overall employee well-being, profitability, customer service, accident reduction and employee retention.

In FY2015, we focused on the following objectives:

- Establish executive level oversight of the USPS national employee engagement strategy;
- Establish a performance baseline by administering a census survey;
- Train USPS leadership at all levels of the organization — starting with the ELT — on the principles of employee engagement and leadership's role in creating an environment

that fosters high levels of engagement;

- Provide officers, executives, managers and supervisors training and access to a robust reporting platform for assessing and acting on survey results; and
- Establish a group of engagement leaders and champions to coach other leaders in workplace practices and behaviors that promote engagement and foster collaboration and teamwork deep within the organization.

FY2015 results:

- Appointed an executive director of employee engagement who reports directly to the Chief Human Resources Officer, a member of the ELT.
- Delivered a census survey to 595,000 career and non-career employees. Forty-seven percent of employees completed and returned the survey. The grand mean engagement score result was 3.16 on a scale of 1 to 5. These results equate closely to the overall response rate and favorability ratings of our FY2014 end-of-year VOE survey results.
- Provided managers with access to an online application that enables them to view, understand and communicate their employee engagement results. The application also provides a wide range of tools to help them collaborate with their teams on developing solutions for improving the work environment.
- Trained over 400 engagement leaders and champions at every level of the organization on the principles of employee engagement.

FY2016 Performance Plan — Looking ahead, the Postal Service will provide more targeted training to executives, managers and supervisors to equip them to take concrete actions to create and sustain more engaged work environments. Leadership training and development programs will include content about employee engagement. We'll implement communication and change management initiatives to help increase employees' overall understanding of the purpose of employee engagement and the benefits to them and the organization. In our ongoing efforts to increase employee participation in the Postal Pulse Survey, the Postal Service will reach out to employees for their input on how to make it easier to take the survey.

While we recognize achieving a culture of high employee engagement will be challenging and require time, we are committed to making it happen. A highly engaged workforce is in the best interest of our employees, our business and our customers.

Sustain Controllable Income

The Postal Service tracks two metrics as an indication of our financial performance. The first metric is Deliveries per Hour (DPH) which summarizes the effectiveness of productivity improvement efforts. The indicator is relevant, especially as the organization manages a declining volume workload with a constantly increasing universal delivery network. The second metric is the Postal Service "Net Controllable Income (Loss)."

Deliveries per Hour

FY2015 Performance Report — In FY2015, the target for DPH was 42.4. The actual result was 41.5 — a difference of 0.9. We didn't achieve the target due to an overrun of the work hour plan. Factors included additional workload from volumes and delivery points in excess of the plan; strong growth in Sunday package delivery; delay in plant consolidations; not capturing all of Network Rationalization phase 2 savings; utilization of additional work hours to improve service; additional hours from hiring, training, learning curve and turnover rate of non-career workforce; and an arbitration award affecting Level 18 Postmaster work rules. This non-career workforce is instrumental in providing flexibility while reducing salary and benefit costs for the organization based

on lower wage rates. However, the additional hours have a negative impact on the DPH metric.

FY2016 Performance Plan — Achievement of the FY2016 DPH target is based on capturing work hour reductions from decreased volume (offset by the projected growth in packages) along with capturing the savings from operational initiatives.

Net Controllable Income

FY2015 Performance Report — FY2015 had total revenue of $68.9 billion and total expenses of $74.0 billion, resulting in a net loss of $5.1 billion.

Our operating results are impacted by items that are not under our control and that are not reflective of our normal operations. These items include the annual legally mandated Postal Service Retiree Health Benefits Fund (PSRHBF) prefunding expense, the non-cash expenses related to changes in the liability for participation in the federal workers' compensation program, which include fluctuations in workers' compensation expense due to changes in discount (interest) rates and the amortization of the unfunded liability for our portion of the Federal Employees Retirement System (FERS). This amortization expense is calculated by the Office of Personnel Management (OPM) based on government-wide demographics and pay assumptions and is not reflective of what we believe our FERS liability would be if it were calculated using postal-specific demographics and pay assumptions. Because these items are not under management control, 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, FERS amortization and non-cash expenses for workers' compensation are excluded, the income from ongoing business activities or "controllable income" was $1.2 billion. (See Financial Performance Results table on page 23.)

The FY2015 controllable income target was revised from $0.5 billion to $1.1 billion to reflect additional savings from changes in the employee mix that were not reflected in the original plan.

For the third year in a row, revenue increased compared to the prior year, largely as a result of the PRC-approved Consumer Price Index (CPI) price change implemented in May 2015 and temporary exigent surcharge on market dominant products that was implemented beginning in January 2014 and was in effect for the entire 12 months of FY2015. Mail volume continued to decrease in FY2015, most notably by First-Class Mail, which decreased by 1,420 million pieces.

Revenue in shipping and packages increased by 11.4 percent over the same period last year while Standard Mail revenue increased by 1.3 percent. Overall, volume declined by 1,382 million pieces.

Total expenses of $74.0 billion in FY2015 increased 0.9 percent, from $73.4 billion in FY2014. The net $0.9 billion reduction in our non-cash workers' compensation expense, mainly the result of changes in assumptions and actuarial valuation and revaluation of new and existing workers compensation cases, was more than offset by an increase for the year in compensation and benefits expense of $1.5 billion, attributable to contractually obligated salary escalations, higher FERS contribution rates mandated by OPM and an increase in labor hours, primarily resulting from higher shipping and packages volume.

In January 2015, we revised our service standards for First-Class Mail and began a second phase of mail processing realignments, which resulted in consolidation activities affecting 36 mail processing facilities, of which 21 were partially consolidated and 15 were completely consolidated during the year. In order to further assess operational considerations and to ensure that we continue to provide prompt, reliable and predictable service consistent with our published service standards, we've deferred further consolidations until 2016. We anticipate that the remainder of the consolidations associated with this phase of our realignment plan may impact the 21 partially consolidated facilities plus an additional 44 processing facilities that have been unaffected so far. We will not fully realize the projected cost savings of this consolidation effort until we are able to fully implement it as planned.

The Postal Service increased the number of career employees by approximately 4,000 in FY2015, compared to the year before.

The Postal Service still had only about 24 days of operating cash entering FY2016 despite the financial and operational efforts described above.

For a full description of the financial results of the U.S. Postal Service, see USPS 2015 Form 10-K located at *http://about.usps.com/who-we-are/financials/welcome.htm*.

FY2016 Performance Plan — The Postal Service expects to be required to roll-back the exigent price increase on Market-Dominant products that was implemented in January 2014. The exigent surcharge generated $2.1 billion in additional revenue in FY2015 and is expected to generate another $1.1 billion by April FY2016, absent a successful appeal of one aspect of the PRC's July 2015 decision. The roll-back of the exigent price increase is the primary reason that controllable income is expected to decrease from $1.2 billion in FY2015 to $0.1 billion in FY2016. The Postal Service projects revenue growth of $0.4 billion, or 0.6 percent, compared to FY2015 despite the loss of $1.0 billion in revenue from the exigent roll-back.

Controllable operating expenses are expected to increase $1.5 billion in FY2016 from inflationary and other cost increases, both in personnel and non-personnel costs. Personnel cost increases are largely driven by scheduled general wage increases for two of our major unions, an increase in FERS contribution percentages mandated by OPM, and higher health benefits costs. Higher non-personnel costs are forecasted due to investments in information systems and support for package growth initiatives.

Despite the loss of exigent revenue, the Postal Service projects a net revenue growth of $0.4 billion in FY2016 due to continued growth in shipping and packages volume, partially offset by continued decreases in First-Class and Standard Mail. Shipping and Packages revenue is forecasted to increase $1.8 billion through an expected volume increase of 5.7 percent as economic and e-commerce growth is extended through marketing initiatives.

Key Financial and Operating Statistics

Financial Performance Results

(in millions)

Controllable income (loss) *(unaudited)*	FY2015	FY2014	FY2013
Net loss	$ (5,060)	$ (5,508)	$ (4,977)
Impact of:			
PSRHBF prefunding expense	5,700	5,700	5,600
Discount rate changes related to workers' compensation liability	809	485	(1,745)
Other non-cash workers' compensation expense[1, 3]	(502)	673	1,455
Actuarial revaluation of retirement liability	241	7	—
Change in accounting estimate[2]	—	—	(1,316)
Controllable income (loss)	$ 1,188	$ 1,357	$ (983)

[1]In FY2015, we revised the calculation used in our workers' compensation valuation model to determine the actuarial revaluation of existing cases.
[2]The FY2013 change in accounting estimate resulting from new data analytics which revised the estimated liability associated with deferred revenue-prepaid postage for Forever stamps.
[3]Includes changes in assumptions and valuation of new claims and revaluation of existing claims less current year claim payments.

Financial History Summary

(in millions)

	FY2015	FY2014	FY2013
Operating results			
Total revenue	$ 68,928	$ 67,830	$ 67,318
Operating expenses			
Compensation and benefits	47,519	46,000	46,708
Retiree health benefits	8,811	8,685	8,450
Workers' compensation	1,760	2,554	1,061
All other operating expenses	15,736	15,939	15,909
Loss from operations	(4,898)	(5,348)	(4,810)
Interest, net	(162)	(160)	(167)
Net loss	$ (5,060)	$ (5,508)	$ (4,977)
Financial position			
Cash and cash equivalents	$ 6,634	$ 4,906	$ 2,326
Property and equipment, net	15,686	16,338	17,512
All other assets	1,694	1,718	1,803
Total assets	$ 24,014	$ 22,962	$ 21,641
Accrued retiree health benefits	$ 28,100	$ 22,417	$ 16,766
Workers' compensation liability	18,811	18,422	17,240
Debt	15,000	15,000	15,000
All other liabilities	12,494	12,454	12,458
Total liabilities	74,405	68,293	61,464
Total net deficiency	$ (50,391)	$ (45,331)	$ (39,823)

Revenue, Pieces and Weight Statistics

(in millions of units indicated, unaudited)

	FY2015	FY2014	FY2013
First-Class Mail[1]			
Revenue	$ 28,312	$ 28,409	$ 28,110
Number of pieces	62,419	63,839	65,754
Weight, pounds	3,158	3,164	3,194
Standard Mail[2]			
Revenue	$ 17,646	$ 17,426	$ 16,915
Number of pieces	80,030	80,308	80,806
Weight, pounds	7,975	8,100	8,298
Shipping and Packages services[3]			
Revenue	$ 15,085	$ 13,543	$ 12,597
Number of pieces	4,530	3,969	3,715
Weight, pounds	7,771	6,485	5,956
International Mail			
Revenue	$ 2,762	$ 2,923	$ 3,016
Number of pieces	940	893	902
Weight, pounds	459	443	455
Periodicals			
Revenue	$ 1,589	$ 1,625	$ 1,658
Number of pieces	5,838	6,045	6,359
Weight, pounds	2,168	2,275	2,422
U.S. Postal Service[4]			
Number of pieces	355	439	631
Weight, pounds	113	110	150
Free matter for the blind[4]			
Number of pieces	45	46	55
Weight, pounds	18	21	23
Other services revenue[3]	$ 3,396	$ 3,838	$ 3,583
Deferred Revenue – Prepaid Postage[5]	—	—	$ 1,316
Postal Service totals			
Operating revenue	$ 68,790	$ 67,764	$ 67,195
Number of pieces	154,157	155,539	158,222
Weight, pounds	21,662	20,598	20,498

Note: The totals for certain mail categories for prior years have been reclassified to conform with classifications used in the current year. Non-operating revenue is no longer included in this schedule.

[1]Excludes First-Class Mail Parcels.

[2]Excludes Standard Mail Parcels.

[3]See Shipping and Packages Services and Other Services Statistics table on page 25.

[4]Includes the U.S. Postal Service's mail and free mail provided to certain groups.

[5]The FY2013 change in accounting estimate resulting from new data analytics which revised the estimated liability associated with deferred revenue-prepaid postage for Forever stamps.

Shipping and Packages Services and Other Services Statistics

(in millions of units indicated, unaudited)

	FY2015	FY2014	FY2013
Priority Mail Express			
Revenue	$ 779	$ 760	$ 794
Number of pieces	36	36	39
Weight, pounds	38	37	38
First-Class Packages[1]			
Revenue	$ 2,233	$ 2,002	$ 1,771
Number of pieces	908	847	792
Weight, pounds	311	283	263
Priority Mail[2]			
Revenue	$ 7,751	$ 7,233	$ 7,020
Number of pieces	1,025	934	924
Weight, pounds	2,415	2,160	2,146
Parcel Select Mail			
Revenue	$ 3,364	$ 2,597	$ 2,079
Number of pieces	1,937	1,549	1,367
Weight, pounds	3,601	2,623	2,120
Parcel Return Service Mail			
Revenue	$ 152	$ 139	$ 123
Number of pieces	60	56	51
Weight, pounds	171	171	153
Package Services			
Revenue	$ 806	$ 812	$ 810
Number of pieces	564	547	542
Weight, pounds	1,235	1,210	1,236
Total shipping and packages services			
Revenue	$ 15,085	$ 13,543	$ 12,597
Number of pieces	4,530	3,969	3,715
Weight, pounds	7,771	6,484	5,956
Other services			
Certified Mail			
Revenue	$ 659	$ 672	$ 715
Number of articles	197	208	234
Return Receipts			
Revenue	$ 369	$ 362	$ 356
Number of articles	156	154	157
USPS Tracking			
Revenue	$ 41	$ 84	$ 68
Number of articles	3,550	2,931	2,352
PO Box Services revenue	$ 923	$ 901	$ 889
Money Orders			
Revenue	$ 159	$ 164	$ 155
Number of articles	93	97	103
Insurance			
Revenue	$ 89	$ 92	$ 108
Number of articles	23	20	28
Shipping and mailing supplies			
Revenue	$ 112	$ 119	$ 123
Number of articles	56	60	63
Other services revenue	$ 1,044	$ 1,444	$ 1,169
Total other services revenue	$ 3,396	$ 3,838	$ 3,583

Note: The totals for certain mail categories for the prior year have been reclassified to conform with classifications used in the current year. These reclassifications did not impact total Shipping and Packages revenue for prior years.

[1]Includes First-Class Mail Parcels and First-Class Package Services.

[2]Includes Standard Post which is a retail-only product classified as Market-Dominant. Standard Post is priced identically to Priority Mail for Zones 1–4 and is functionally equivalent to Priority for those Zones.

Post Office and Delivery Points

(in actual units indicated, unaudited)

	FY2015	FY2014	FY2013
Post Offices, stations and branches			
Postal-managed			
Post Offices	26,615	26,669	26,670
Classified stations, branches and carrier annexes	4,991	4,993	5,032
Total Postal-managed	31,606	31,662	31,702
Contract Postal Units	2,504	2,660	2,718
Village Post Offices	874	767	385
Community Post Offices	536	560	629
Total offices, stations and branches	35,520	35,649	35,434
Residential delivery points			
City delivery	82,020,625	81,650,586	81,297,883
Rural	41,378,300	40,750,668	40,111,620
PO Box	15,894,358	15,858,668	15,882,717
Highway contract	2,827,085	2,774,213	2,736,005
Total residential delivery	142,120,368	141,034,135	140,028,225
Business delivery points			
City delivery	7,633,285	7,592,773	7,554,231
Rural	1,584,916	1,554,422	1,524,741
PO Box	3,535,563	3,634,467	3,738,314
Highway contract	77,696	76,179	74,922
Total business delivery	12,831,460	12,857,841	12,892,208
Total delivery points	154,951,828	153,891,976	152,920,433
Change in delivery points	1,059,852	971,543	773,882

USPS Employees

(actual numbers, unaudited)

	FY2015	FY2014	FY2013
Headquarters and HQ related employees			
Headquarters	2,916	2,934	2,967
Headquarters — field support units	3,710	3,618	3,870
Inspection service — field	2,379	2,376	2,411
Inspector general	1,142	1,132	1,135
Total HQ and HQ related employees	10,147	10,060	10,383
Field employees			
Area offices	851	818	807
Postmasters/installation heads	14,506	16,538	17,804
Supervisors/managers	23,754	23,035	22,940
Professional administration and technical personnel	4,468	4,353	4,375
Clerks/nurses	125,609	118,925	118,751
Mail handlers	38,046	38,910	40,102
City delivery carriers	164,378	164,626	167,388
Motor vehicle operators	6,658	6,603	6,598
Rural delivery carriers — full-time	67,044	66,373	66,099
Building and equipment maintenance personnel	31,136	32,807	30,737
Vehicle maintenance employees	5,266	5,252	5,033
Total field employees	481,716	478,240	480,634
Total career employees	491,863	488,300	491,017
Noncareer employees			
Casuals	1,727	1,658	1,779
Postal support employees	29,312	24,781	28,793
Nonbargaining temporary	367	276	249
Rural part-time: subs/RCA/RCR/AUX	50,640	48,099	46,607
Postmaster relief and leave replacements	4,839	13,207	13,454
City carrier assistant (CCA)	37,767	36,081	30,433
Mail handler assistant (MHA)	5,322	5,475	5,382
Total noncareer employees	129,974	129,577	126,697
Total employees	621,837	617,877	617,714

First and foremost, our focus is on serving our customers.

We're part of the daily lives of every American — every village, city and metropolis, whether residential, business, nonprofit or government customer. We help people better connect, communicate and conduct commerce in the digital economy. It's simply what we do.

PART 2

FY2015 Comprehensive Statement on Postal Operations

Focusing on the Customer

Engaging and Empowering Employees to Better Serve Customers

Investing in Future Platforms

Accelerating the Pace of Innovation

Connecting Communities

Maintaining Focus and Accelerating Growth

Focusing on the Customer

First and foremost, our focus is on serving our customers. Americans depend on the Postal Service to deliver reliable, dependable and economical shipping and mailing solutions that meet their evolving needs. And we deliver on that expectation in many new and exciting ways. As an organization, we're also the face of public service in every community across the nation. We're part of the daily lives of every American — every village, city and metropolis, whether residential, business, nonprofit or government customer. We help people better connect, communicate and conduct commerce in the digital economy. It's simply what we do.

Improving Customer Experience

Product Visibility — The Postal Service is committed to providing customers with more information about their mail and packages, from the moment we receive it to the time we deliver it to homes and businesses. We're focused on using technology to provide real-time visibility for our products as they move through the postal system. One of the technologies we're investing in is Informed Visibility (IV). This solution will provide comprehensive, real-time, data-driven service performance measurement and diagnostics, mail inventory and predictive workloads, and end-to-end tracking and reporting for all mail. For the Postal Service, it means access to valuable business and operational intelligence to help make us more efficient in what we do. IV also will help reduce our operational costs and lay the foundation for enterprise analytics.

For our customers, IV will help the Postal Service provide consistent, reliable and predictable service. In addition, IV will add new value to mail, providing customers with long-needed, real-time mail visibility, tracking and performance metrics necessary to help them plan their mailings, measure success of each mailing campaign and efficiently staff their operations.

In a step toward making the IV solution a reality, the Postal Service in FY2015 implemented internal service performance measurement sampling through our new Mobile Delivery Devices (MDDs). Carriers use MDDs to scan live mailpieces at selected collection and delivery points. This data provides valuable insight into the first and last mile for postal operations. It also helps us reduce reliance on external support for service performance measurement — we can do that ourselves.

Informed Delivery — In today's world, people want information sooner rather than later — and want to be able to get it wherever they are. They expect to manage their lives away from home and on their smartphones. Why not manage their mail the same way? The Postal Service is testing a service called Informed Delivery. It provides mobile users with an email — complete with a scanned image of the front of each of their hardcopy mailpieces — as an advance notice of the mail they'll be receiving at home later that day. In FY2015, the service expanded to about 9,000 users in Northern Virginia, with more signing up every day. The insights and data gathered demonstrate a strong value for this digital service. As the test expands into the New York City metro area, new features will be implemented, including the ability to access interactive content associated with mail images.

Usps.com and the Postal Store — Our customers enthusiastically embrace the ease and convenience of online shipping and mailing through our website, *usps.com*. Traffic to our site continued to grow in FY2015, with an average of 3 million daily visits — an increase of more than 22 percent compared to the prior year. As an e-commerce platform, *usps.com* generated just over $1 billion in revenue with more than 50 million purchase transactions, which represents more than 425 million unique users in the United States and worldwide.

FY2015 kicked off with the successful launch of a streamlined and simplified *usps.com* that reduced the number of static pages from 300 to 50. Optimization of the site continued throughout the year with a focus on improving and aligning the customer experience across all digital touch points, including mobile, desktop and retail kiosks. The goal is providing customers with a state-of-the-art e-commerce experience while growing revenue, strengthening our brand, increasing customer satisfaction and decreasing call volume to our Customer Care Centers.

Each month, we conducted user experience reviews of many of the over 30 applications on *usps.com*. Many of the recommendations resulting from the reviews were implemented. We also began developing an application style guide to ensure a consistent user experience across the site and assist development teams as they update and create new applications.

A robust set of analytic tools is now tracking user behavior across the entire site and within each application. This helps us measure and analyze growth as well as provide insights to help improve the customer experience. It also makes adding and removing specific marketing and campaign measurement tools quick and easy. A new customer satisfaction survey also was introduced on the site in FY2015, and includes a separate survey for the mobile experience. Customer feedback is available immediately, enabling the Postal Service to identify trends and any issues that need to be addressed. Also, a standardized iconography library was created for the site, mobile app and retail kiosks that will also be used on signage, printed materials and shipping supplies to ensure a consistent brand experience.

Search engine optimization is another focal point. Through ongoing analysis of customer search patterns, content has been optimized to shorten customers' journeys from search to completed task. In addition, redesign work is underway to make the user experience "friction-free" on several applications, including customer registration, *MyUSPS.com* and PO Boxes Online.

In FY2015, the Postal Service began migration to an upgraded e-commerce platform for *usps.com* and the Postal Store. This will improve reliability, provide more dynamic content management tools and enable us to add more robust features and functionality. These upgrades will make it easier to:

- Rapidly make changes to the website in support of emerging markets, campaigns, seasonal events and new products.
- Orchestrate seamless cross-channel buying experiences to improve customer loyalty.
- Use mobile devices and social media to increase access and drive sales.
- Personalize our customers' online experiences.
- Improve the site's search capabilities across the platform.

Updates and enhancements made to the site during FY2015 included:

- Launch of technical chat on the Postal Store.
- Addition of PayPal as a payment option to the Postal Store.
- USPS Tracking application ongoing updates.
- Redesign of the Priority Mail map.
- Improved ZIP Code Lookup.
- Development of tutorial videos for Click-N-Ship, Every Door Direct Mail and filing a claim.

MyUSPS.com — *MyUSPS.com*, which is part of *usps.com*, is an online dashboard that gives customers instant visibility to all packages addressed to their residence without entering tracking numbers. Launched in fall 2014, *MyUSPS.com* has 5.3 million registered users. Customers can select how they receive updates (texts or email), direct where a package should be left (back door, at the neighbor's house), and reschedule delivery of a missed package on a more convenient day. Enhancements to *MyUSPS.com* enable us to aggregate information about a household's mail and shipments, communicate delivery status and provide functionality to control delivery through options like USPS Package Intercept.

USPS Mobile — Mobile solutions are essential to providing information and real-time data for Postal Service customers. The Postal Service's mobile website provides on-the-go access to tracking information, Post Office locations, ZIP Code information and more. It gets over 200,000 visits each day — and this number is growing. To meet the demands of an increasingly mobile-connected nation, the Postal Service in FY2015 enhanced the mobile website to streamline navigation and update its design to provide a seamless experience for our customers.

Improving the Retail Experience

A visit to the Post Office has been a shared experience by Americans for nearly 240 years. Ensuring that visit is effective, efficient and meets customer expectations requires a focused commitment and ongoing effort by the Postal Service.

Customer Satisfaction — 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 uses private "mystery shoppers" to conduct mailing transactions at over 8,000 of our large retail outlets. Data from these transactions are analyzed and 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 through national surveys of residential and small business customers.

One key measure of a customer's retail experience is the time spent waiting in line. The service standard for this attribute is "Five Minutes or Less." For FY2015, the national wait time in line average was 2 minutes, 36 seconds versus the prior year of 2 minutes, 24 seconds, an increase of 12 seconds. The overall retail experience score from the RCE mystery shops was 92.63 percent versus the previous year score of 93.86, a reduction of 1.23 percentage points.

	FY2015	FY2014	Variance
Average Wait (mm:ss)	2:36	2:24	0:12
Overall Retail Experience*	92.63%	93.86%	(1.23%)

**Source: Retail Data Mart, Retail Customer Experience Program.*

Mobile Point of Sale — New technology is changing — and improving — how we conduct business with our customers at our retail locations. In FY2015, the Postal Service expanded use of Mobile Point of Sale (mPOS) devices to 3,081 Post Office locations nationwide, performing over 6.7 million transactions and generating $17.9 million in revenue. mPOS debuted in 68 Post Offices during FY2014 and was expanded to support FY2015 holiday operations.

Using this innovative technology, retail associates can process many simple transactions in the lobby, away from the full-service counter — customers can "swipe and go" without waiting in line. The mPOS solution consists of an Apple iPod Touch, integrated barcode scanner and credit card reader, wireless receipt printer and wireless label printer.

Customers benefit from the convenience of being able to conduct transactions quickly and

efficiently. Acceptance of prepaid mailpieces, for example, accounted for over 68 percent of mPOS transactions in FY2015. In addition, customers that were not home during a delivery attempt can pick up and sign for mailpieces using mPOS.

It also helps reduce costs for the Postal Service. Revenue services such as Priority Mail Flat Rate postage, Forever stamp booklets and other retail products (such as ReadyPost supplies or greeting cards) can be transacted with a major credit card. Customers sign directly on the device's screen and can get either a paper or email receipt, an option that helps reduce paper costs and supports the Postal Service's efforts to "go green."

Alternate Access — We also provide our customers with convenient alternate access to our products and services. Many people prefer to use our self-service kiosks, online mailing and shipping and mobile app. Or they can turn to our Approved Postal Provider network, where customers can purchase stamps, mail a letter or ship a package. These retailers generate additional incremental revenue for the Postal Service by offering our products and services in places where we can't. Another option is a Village Post Office (VPO). In FY2015, the number of VPOs continued to grow, serving customer needs in both rural and metropolitan locations in 43 states. VPOs offer the most popular USPS products and services, including Priority Mail Forever Prepaid packaging, Forever postage stamps and Post Office Box rentals. VPOs are primarily located in community small businesses such as convenience stores, grocery stores and other neighborhood specialty businesses. These businesses offer extended business operating hours in locations that are convenient to the customers they serve. (See table at bottom of page.)

Making it Easier to Mail and Receive Mail

It's the lament of the times — who's got the time? At the Postal Service, we recognize that our customers need options that make their lives easier. That means offering online solutions and options that are convenient and easily accessible.

Stamps to Go and Stamps by Mail — It's never been easier to get stamps, whether at a Post Office, online at *usps.com* or at one of our retail partner locations. In FY2015, the Postal Service provided customers with access to stamps at more than 65,650 retail partner locations through the Stamps to Go program. More than 15 percent of all stamps are being sold through this program, which is one of our most cost-effective channels. Various marketing efforts are used to remind customers that U.S. postage is available through more than 625 partner companies. These efforts maintain stamp sales while expanding our retail footprint. The Contract Postal Unit and the Approved Shipper programs also continue to grow revenue and expand the reach of our stamp program through strategic partnerships.

Retail Revenue by Channel

Services	FY2015 retail revenue ($ millions)	FY2015 percent share of total retail revenue	FY2015 share difference from FY2014	FY2014 retail revenue ($ millions)	FY2014 percent share of total retail revenue	FY2014 share difference from FY2013	FY2013 retail revenue ($ millions)	FY2013 percent share of total retail revenue
Retail window brick and mortar	10,430	54.28	(1.98)	10,706	56.26	(2.72)	10,780	58.98
Expanded access	8,785	45.72	1.98	8,325	43.74	2.72	7,497	41.02
Total retail revenue	19,215	100.00		19,031	100.00		18,277	100.00

Customers, of course, can always take advantage of our Stamps by Mail program. Stamps are delivered through the U.S. Mail without delivery or handling charges. Our retail offices ordered more than 9.5 million brochures highlighting Stamps by Mail to circulate throughout their communities. This program remains popular with the elderly and disabled.

Mail Forwarding and Change of Address — The Postal Service processes approximately 37 million change-of-address requests each year. We make the process as simple as possible for customers. A visit to the Post Office isn't necessary — customers can change their address online at *usps.com*. To modify an original change-of-address order, they can go to *managemymove.usps.com*. Customers also can use a credit or debit card with a billing address that's different from either the old or new addresses. This feature is particularly useful for customers whose card is associated with a PO Box or work billing address, or for those filling out a request for an elderly or deceased relative.

Premium Forwarding Service — Premium Forwarding Service Residential (PFS-R) provides customers the option of temporarily forwarding their mail once a week by paying the application fee and weekly shipment fees. The customer's PFS-R mail is shipped via Priority Mail service with USPS Tracking. An online version of PFS-R is available, offering customers the convenience of applying for and managing their accounts at *usps.com*. PFS-R online continues to help grow revenue and create efficiencies by increasing the portion of transactions conducted online. Overall, PFS-R revenue grew 1 percent in FY2015, and PFS-R online revenue already represents over 25 percent of all PFS-R revenue.

Providing a Seamless Experience for Commercial Mailers

As we're making mailing and shipping easier and more convenient for consumers and small businesses, we're also improving our technologies that benefit our commercial customers.

Mail Preparation, Addressing and Commercial Acceptance — Our continued adoption of Intelligent Mail and Full-Service technologies, which rely on the use of smart barcodes, has enabled improvements in the way we accept and verify commercial business mailings. We've reduced reliance on manual processes and moved into a digitized process flow. These capabilities will empower customers with a suite of tools enabling 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 use of Intelligent Mail barcodes with Full-Service by small business mailers. This allows the Postal Service to position these mailers for Seamless Acceptance, a process designed to use electronic documentation, mail processing equipment scans and scans collected through handheld devices to verify and validate proper mail make-up and postage.

Streamlining Customer Payment and Account Management Processes — Several initiatives in FY2015 improved our ability to manage customer incentives, contract pricing and loyalty tracking. At the same time, we gained 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. Improvements in payment and account management will reduce the current burden experienced by mailers in opening permits and managing accounts. "Mail Anywhere"

functionality was made available to all mailers in spring 2014. Mail Anywhere allows the use of a single permit at mailing locations across the country and greatly simplifies the account management process for commercial mailers.

Click-N-Ship Business Pro — Click-N-Ship Business Pro is a downloadable software solution that enables small and medium business mailers to generate shipping labels with Intelligent Mail Package Barcodes (IMpb) and securely pay postage via electronic manifest files. It's available free of charge for business customers who ship 50 or more packages (or multiple packages with a combined weight of 50 or more pounds) in a typical mailing.

In addition to generating shipping labels and paying for postage, the software provides easy-to-use database integration, tracking and reporting tools. Click-N-Ship Business Pro allows customers to access a broader range of shipping options than some other software solutions, including single-piece and non-presort packages, and services that include First-Class Package Service, Priority Mail, Priority Mail Express and Parcel Select Nonpresort. This software solution has generated over $2.7 million in postage paid since its inception in November 2013, and brought in more than $3.9 million in revenue in FY2015.

Collaborating with Industry

The input and feedback of our industry partners are essential as we introduce new products and services. The Postal Service works closely with its mailing industry partners through many venues because their success is also the Postal Service's success.

National Postal Forum — Since 1968, the National Postal Forum (NPF) has been the leading mailing industry conference, bringing together the Postal Service and its major customers. The goal of the NPF, a not-for-profit educational corporation, is to bring industry professionals together to interact with Postal Service management and learn about existing and future USPS products and services. In 2015, the NPF was held in Anaheim, CA, with Postmaster General Megan Brennan as keynote speaker. Attendance was notably higher than in past years with about 3,000 large and small business customers participating.

The four-day NPF annually showcases the latest in technology and innovation, providing a unique opportunity for mailers to network with each other as well as talk to potential vendors and suppliers. It also features educational workshops on topics ranging from marketing to operations general sessions with senior postal leadership, certification courses, focus group sessions and other activities. Attendees heard how the Postal Service and industry are collaborating to develop and deliver solutions to service issues, share the latest information on logistics and operations, and strengthen the relationship between the mailing and shipping industries.

Mailers' Technical Advisory Committee — The Postmaster General's Mailers' Technical Advisory Committee (MTAC) is another venue for the Postal Service to share technical information with mailers and to receive advice and recommendations from them on matters concerning postal products and services. MTAC is comprised of nearly 175 executives and sponsors who represent over 50 associations. In 2015, MTAC celebrated its 50th anniversary, highlighting successful collaborations on issues ranging from barcoding improvements to implementing drop shipping changes to modifying business mail entry processes.

To better serve the mailing community, MTAC is organized into four key focus areas: mailing preparation and entry, visibility/service performance, product development and payment and acceptance. Each of these areas focus on customers' specific needs and further supports the mission of providing exceptional customer service.

Postal Customer Councils — Postal Customer Councils (PCCs) consist of Postal Service leaders and business mailers who work together at the local level to promote the value of mail, address mailing concerns and exchange ideas. The goal is to maximize the benefits of USPS products, programs, services and procedures. Through regular meetings, educational programs and seminars, PCC members learn about the latest Postal Service products and services that will help them grow their businesses. There are more than 155 PCCs nationwide.

Each year the importance of PCCs and their contributions to the success of the Postal Service are celebrated during National PCC Week, which features a state-of-the-business address by the Postmaster General. Events were held September 21–25 of 2015, with more than 115 PCCs participating. Postal leadership spoke at more than 80 events, with an estimated 8,000 customers in attendance.

Taking Care of Customers

Our Consumer and Industry Affairs group is responsible for USPS customer interaction and support for individual consumers, small businesses, large corporations and commercial mailers. The Office of Consumer Advocate and Customer Relations serves to confirm the "voice of the customer" is accurately represented to the organization and is focused on ensuring that each and every customer has a positive customer experience. The primary objective is to improve customer interactions with USPS and position "the value of the mail" in a consumer and business environment. In addition, the group develops a strategic direction, policy improvements, program enhancements and standardized expectations to field consumer and industry contact operations.

Consumer and Industry Affairs reaffirms the importance of customer service and shares customer insights through monthly videos, weekly messaging, training, tools and resources that inform and engage employees. We're continuously working to improve our standardized complaint handling and resolution process, which provides guidelines encompassing initial contact through resolution. A better resolution process for the customer increases their overall satisfaction. We want to improve processes and enhance systems in ways that support timely and thorough resolution of customer concerns and inquiries.

Customer Care Centers — When customers call the Postal Service's 1-800 number for assistance, that voice they're talking to is a postal employee. In FY2015, for the first time, our Customer Care Centers were wholly operated by the Postal Service. All four of our Customer Care Centers were restructured and are staffed entirely by USPS employees. Throughout the year, our toll-free service numbers received a remarkable 53.4 million calls, of which 37.1 million were handled through the self-service interactive voice response system. Sixteen million callers, about 54,200 per day[1], requested additional assistance from an agent.

To further enhance the total customer experience, a new "virtual hold" technology was introduced in March 2015. Instead of being placed on hold, a customer gets a callback when an agent is available. During the first six months after implementation, 2.7 million customers opted for a virtual hold. Customer Care Centers provide information and resolutions that simplify the mailing experience for our customers and are dedicated to providing outstanding service and support.

Business Service Network — The national Business Service Network (BSN) is dedicated to providing the best customer experience to over 20,000 of the Postal Service's largest customers. The BSN encourages a proactive

[1] *All data is OCT 2014–AUG 2015. Calls per day based upon 6 days per week X 52 weeks less 10 holidays = 302 days per year prorated for 11 months = 277 days.*

approach that fosters a one-on-one relationship with our customers and serves as the essential link between them and postal operations. By understanding our customers and translating their business needs, the Postal Service not only meets but continuously exceeds expectations by providing excellent service, communications and information to our most valuable customers.

Security Comes with a Stamp — Despite the many changes to the Postal Service since its inception, there is this constant held by its customers: Americans have the right to mail and receive letters and packages with every expectation that no one will tamper with or steal their mail. The Postal Inspection Service, the law enforcement and security arm of the Postal Service, helps deliver on that expectation.

The Postal Inspection Service helps ensure the safety, security and integrity of the U.S. Mail. It's their mission: support and protect the Postal Service and its employees, infrastructure and customers; enforce the laws that defend the nation's mail system from illegal or dangerous use; and ensure public trust in the mail. Our Postal Inspectors investigate postal-related crimes, such as identity theft, mail bombs, postal robberies and burglaries. And they protect against the use of the mail to launder drug money, defraud customers, traffic in illegal drugs and exploit children.

The Postal Inspection Service also maintains a state-of-the-art National Forensic Laboratory, comprising highly trained forensic scientists and technical specialists who play a key role in identifying, apprehending, prosecuting and convicting individuals responsible for postal-related criminal offenses. They provide scientific and technical expertise to the criminal and security investigations of the Postal Inspection Service.

Carrying out that mission also means ensuring postal employees, customers and some 32,000 postal facilities are safe from criminal attack and the nation's mail system is protected from criminal misuse. Whether dealing with mail thieves in colonial times, stagecoach robbers in the 1800s, gangsters in the 1930s, the Unabomber in the 1980s and '90s, or anthrax mailings in this century — Postal Inspectors are there.

If it has anything to do with ensuring the safety, security and integrity of the nation's mail system from criminal misuse, they do it. And they've been doing it — and doing it successfully — since the nation was founded nearly 240 years ago.

Engaging and Empowering Employees to Better Serve Customers

We're more than just that man or woman in a truck delivering the mail — we live and work in the communities we serve. Our employees know that our customers depend on them for delivering letters and items that are important to their lives — hand-drawn artwork from a grandchild, medicines from the doctor or a pair of limited-edition athletic shoes from the hottest brand. We go the extra mile; dedicated, committed and proud of the public service we provide. In our rapidly changing marketplace, the Postal Service recognizes that our future success depends on how well we equip and engage our employees, especially as a new generation starts proudly wearing postal blue. Steps we're taking now to better engage and empower our employees will ensure that we deliver excellent customer service — each and every time — for many years to come. It's what America expects from us.

Investing in Leadership and Employee Growth

The Postal Service is now operating in the most complex and competitive business environment in our 200-plus year history, one that's marked by uncertainty, ambiguity and change. Despite the difficulties this business environment presents, we've withstood every challenge because of strong leadership and committed employees.

Leadership Readiness — Like most federal agencies, a large number of our managers and senior leaders are eligible for retirement. To plan for the significant risk this poses, in FY2015 we moved to a continuous open season for Corporate Succession Planning (CSP), allowing necessary modifications and ongoing monitoring of our leadership pipeline. We also launched operations-focused leadership programs such as New Supervisor Program (NSP) and Managerial Essentials for Field Leadership (MEFL), and introduced Postmaster Essentials (PME). Also, our Executive Leadership Team demonstrated an unwavering commitment to employee engagement — and invested in creating engagement leaders and champions throughout the organization. Altogether, these efforts improve leadership readiness and support culture changes necessary for long-term success.

Our leadership development program achieved important outcomes in FY2015, including:

- Ninety-five percent of critical Postal Career Executive Service positions now have at least one "ready now" potential successor and 318 new potential successors were added to CSP.
- To support individual development planning, 82 percent of CSP potential successors have an active plan (i.e., completion of one activity every six months) as do 88 percent of Executive Leadership Development program participants. In addition, 66 percent of Senior Executive Assessment and Development Center participants created executive development plans.
- Additional advanced and managerial leadership programs were offered, resulting in expanded opportunities to learn from leaders and spark innovation through business challenges and business cases.

To prepare employees for career advancement, learning opportunities are available for officers, senior executives, executives, managers and supervisors. In FY2015, 1,475 individuals participated in a leadership development offering. The table that follows summarizes participants by program.

Program	FY2015 participants
Advanced Leadership Program	74
Executive Foundations	73
Executive Leadership	45
Human Resources Manager Development Program	28
Managerial Leadership Program	205
New Supervisor Program	842
Managerial Essentials for Field Leadership	133
Postmaster Essentials	75

Innovative and Impactful Training Programs — In FY2015, the Postal Service invested in focused and in-depth training for our operations management team. The NSP, MEFL and PME programs not only help build our talent pipeline but also strengthen employees' leadership, management and functional skills.

- NSP is a 16-week program for newly promoted supervisors of Distribution Operations, Customer Service and Maintenance Operations.
- MEFL is an eight-week program that includes classroom hours, virtual learning and on-the-job training with a cross-functional experience. The target audience is newly promoted EAS Plant Managers; Managers of Distribution Operations, In-Plant Support, Maintenance, Post Office Operations, Operations Programs Support and Customer Service; and Postmasters EAS-21 and above.
- PME is a 40-hour program that provides newly appointed Postmasters with essential knowledge, leadership and technology skills to manage the operation of a level 18–20 Post Office.

Customer service was another area of focus in FY2015. The NSP, MEFL and NSP programs include essential customer service training as these employees regularly interact with customers. In addition, the Postal Service deployed a nationwide classroom program called Deliver the Brand to 12,588 managers and retail associates. Its goal was to strengthen professionalism and improve the customer experience through training on topics that included image, customer perception and communication skills.

Protecting Employees' Information — The Postal Service made significant improvements in FY2015 to its ability to defend against aggressive advanced persistent threats like the one that resulted in a cyber intrusion incident announced in November 2014. The Postal Service will continue to make significant investments over the next few years to improve these defense efforts. Protecting the privacy of customer, employee, supplier and corporate information has been and always will be a priority for the Postal Service.

This incident, along with many others that occurred in federal government and commercial entities during the year, demonstrates the need for ever greater comprehensive cyber security capabilities involving technology, people and processes to defend against threats, monitor systems for possible unauthorized access and eradicate intruders.

The Postal Service launched new cyber security improvement efforts in November 2014, in response to the cyber intrusion incident. Detailed remediation activities focused on rebuilding impacted infrastructure and implementing technical capabilities for identifying and protecting against the most immediate threats. We worked closely with leading cyber security authorities and other subject matter experts. The objective was to remove the intruder from the network, restrict privileged accounts and implement improved authentication, monitoring and domain management. Included in the scope of this effort were about 1,000 technical activities needed to protect customer, employee, supplier and USPS information.

CyberSafe — Once these key remediation activities were completed, a "CyberSafe at

USPS" security awareness campaign was launched in June 2015. Its focus is to educate the postal community of employees, suppliers and customers through tips and other resources about cybersecurity threats and how they can help protect the USPS network and information. The Postal Service is turning to industry experts in developing content and also partnering with the Department of Homeland Security and promoting content from its "Stop. Think. Connect." campaign.

CyberSafe at the Postal Service started internally with employees and includes a centralized website with tips and videos, new Web-based training focused on password security, information about how to identify and report phishing attacks, and an easy-to-remember email address to report incidents: *cybersafe@usps.gov*. This program will expand to include role-based training for those who have access to the USPS network and specific awareness messaging and training for suppliers and customers.

The campaign is one component of a comprehensive cybersecurity organizational training and awareness strategy designed to reduce risk. Goals include:

- Enabling Postal Service staff to better defend USPS information networks, secure USPS data and mitigate risks;
- Developing and maintaining staff and capabilities to manage cyber operations;
- Demonstrating the Postal Service's commitment to protect and sustain critical enterprise, employee, customer and supplier information assets;
- Contributing to the development of a security culture at USPS; and
- Demonstrating effectiveness through monitoring and measurement of user community network behaviors and activities.

Keeping Postal Employees "Safe and Secure" — The Postal Service values its employees, and keeping them safe is a top priority. Postal Inspectors work closely with local postal leaders to develop prevention measures and provide guidance to postal employees on strategies to improve their safety while on the job. These measures include:

- Training employees in risk avoidance practices at USPS-sponsored events and engaging employees through personal interactions in their workplace;
- Developing and reviewing security policies, and ensuring local compliance;
- Supporting the Postal Service's zero tolerance policy for workplace violence;
- Monitoring USPS facilities 24/7 through the National Law Enforcement Communication Center;
- Investigating reports of threats and assaults related to postal employees; and
- Coordinating state and local law enforcement resources to investigate and solve crimes committed against postal employees.

Managing the Changing Face of the Organization

Many factors impact our employees, from operations-related changes to the challenges of managing multiple generations in the workplace. As our employee population transforms, we'll continue to implement employee-centered Human Resources programs that focus on address our changing workforce environment.

Shifts in the ratios of career to non-career employees reflect our efforts to contain costs and respond to the growing need for on-demand shipping, which requires a more flexible workforce. In FY2015, the Postal Service hired more than 117,000 non-career employees in all flexible workforce categories, including postal support employee (PSE), city carrier assistant (CCA), mail handler assistant (MHA), rural carrier associate (RCA), casual and Postmaster relief (PMR).

In order to recruit candidates for these critical positions, during FY2015 the Postal Service had a presence at 125 career fairs. The diversity at these events was broad yet strategic and included, among others, African Americans, persons with disabilities, Hispanic, LGBT, veterans and women. We also participated in career events to recruit for targeted positions where there's a major hiring need, such as operations industrial engineers (OIEs), CCAs, PSEs and MHAs. In addition to attending targeted career fairs, materials and videos were created focusing on the roles of CCAs, RCAs and OIEs and featured on USPS communication channels. We also launched innovative strategies to develop and retain our workforce, including a monthly lunch and learn series, exploring diversity and inclusion themes through film, and designing awareness training to address diversity of thought, culture and background.

The Postal Service career workforce has an average tenure of about 18 years of service and an average age of 51. Currently 33 percent of employees are eligible to retire. As our average age continues to rise, identifying successors will be critical to filling voids created by retiring employees. Furthermore, an aging workforce will increase the need for knowledge management and alternative career paths. To address these needs in FY2015, we redesigned several management and leadership development programs, included non-career employees in employee engagement surveys, and continued to fine-tune communications to obtain vital feedback and input from employees.

Diversity — During FY2015, the Diversity and Inclusion program achieved heightened prominence at the Postal Service. Although diversity and inclusion have always been a shared value across the organization, strengthening support for an inclusive workplace is a focal point for the organization. To advance these efforts, Diversity and Inclusion implemented several initiatives during the year:

- Lunch and learn series: Held monthly, these sessions highlighted postal innovations, professional development and DRIVE initiatives.
- Multicultural Awareness Day: Developed a platform for employees to host exhibit booths, showcasing the pride of their culture, customs, values, etc.
- Exploring diversity through film: Launched an innovative way of teaching diversity and inclusion themes using box-office movies.
- Executive Diversity Council (EDC): Revived the EDC, including a multi-tiered approach from the Postmaster General extending to district-level advisory councils.
- Diversity and Inclusion summit: Development platform for area and district Diversity and Inclusion professionals.
- Diversity Resources: In partnership with Learning and Development, training is being developed to expand this effort while

addressing topics, such as unconscious bias and gender and cultural sensitivity. Other notable resources: City Carrier Assistant retention guide, heritage resource kits and book club.

Equal Employment Opportunity — The Postal Service is committed to providing equal employment opportunity for all employees. This is a critical component in Postal Service efforts to recruit, develop and retain a diverse workforce. The Postal Service does 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 Equal Employment Opportunity Commission regulations. As of Aug. 31, 2015, a total of 11,538 informal complaints were filed, 83 fewer than the same period last year. For the same time period, 3,545 formal complaints were filed, 192 fewer than the same period last year.

In support of our commitment to work to prevent complaints and provide a work environment free of harassment, Publication 553, *Employee's Guide to Understanding, Preventing, and Reporting Harassment*, was updated in March 2015. In July 2015, the publication was mailed to every employee to reinforce managers' and supervisors' responsibilities to promptly respond to harassment complaints. In addition, an eight-hour course, *Addressing Workplace Harassment*, was developed and conducted in the field for three areas. More than 100 participants received the training, including Human Resources and Labor Relations managers. The content focused on Publication 552, *Manager's Guide to Understanding, Investigating, and Preventing Harassment*, the initial management inquiry process and report writing. An eight-hour train-the-trainer course also was provided, enabling the training to be delivered strategically within those areas.

Disability Program — The Disability Program provides support for managers, supervisors and employees in understanding the reasonable accommodation process, and it promotes disability employment awareness and inclusion. The program is managed at Postal Service Headquarters and includes disability specialists domiciled at each area office. Team members provide direction, education and consultative services to key reasonable accommodation decision makers, as well as Human Resources, Law Department and other postal functions.

Disability Program staff also serve as subject matter expert contributors to policy guidance and service talks, as well as classroom and Web-based training materials covering various disability-related topics. During FY2015, they developed a service talk, Our Responsibilities to Serve Customers under the Americans with Disabilities Act (ADA), which was published in March. The revised 16-week training program for newly-promoted operations supervisors contains a Reasonable Accommodation module based on content from a course developed by the Disability team and Law Department, titled Reasonable Accommodation Awareness. This course contains information on compliance with the Rehabilitation Act of 1973 (as amended) as well as guidance on disability-employment etiquette and understanding.

In a continuing effort to ensure Postal Service's compliance with reasonable accommodation law and policy, Disability Program team members work closely with 75 Reasonable Accommodation Committees across the country, providing technical assistance and support. In FY2015, program reviews were conducted to ensure consistency in application of reasonable accommodation law, policies and procedures.

To best equip employees and enhance the work experience for individuals with disabilities, the Disability Program staff provides guidance to USPS management and employees on assistive and adaptive technology solutions. The Disability Program also funds and oversees all sign language interpreting services for employees who are deaf or hard of hearing. This includes deploying and ensuring the best use of video remote interpreting equipment in facilities across the country.

Compensation and Benefits — In FY2015, non-bargaining employees, including officers and executives, received pay and/or bonuses under the Pay for Performance program, which is designed to provide financial incentives for meeting specific performance targets. Postal Service management has multiple systems in place to monitor employee performance. Employees set goals annually and individual performance is reviewed at mid-fiscal year and end of fiscal year. The Postal Service continues to actively monitor and control compensation and benefits expenditures, including health care costs for employees and retirees.

Executive Compensation: Total Compensation in Excess of Federal Executive Level 1 Compensation ($201,700 in last full Calendar Year 2014):

Executive name	CY2014 amount in excess of Level 1 of the Executive Schedule
Drew T. Aliperto	$14,060
Megan J. Brennan	$55,379
Robert Cintron	$1,910
James P. Cochrane	$32,856
Joshua D. Colin	$9,060
Joseph Corbett	$39,414
Patrick R. Donahoe	$77,475
Jo Ann Feindt	$4,060
Rosemarie Fernandez	$25
Dean J. Granholm	$4,060
Nagisa M. Manabe	$60,423
Thomas J. Marshall	$30,335
Shaun E. Mossman	$4,699
William C. Rucker III	$1,954
Kristin A. Seaver	$1,560
Jacqueline K. Strako	$9,318
Ronald A. Stroman	$45,467
Richard P. Uluski	$4,060
David C. Williams*	$60,008
David E. Williams Jr.	$2,963
Jeffrey C. Williamson	$32,856

*Includes annuity paid by the Office of Personnel Management.

Note: Provided in compliance with Title 39, Section 3686(d) which requires compensation in last full calendar year.

Investing in Future Platforms

Everything we do at the Postal Service, from fine-tuning our networks to purchasing new vehicles to enhancing tracking and visibility, has impact beyond our organization. The mailing industry depends on the Postal Service. According to the 2015 EMA Mailing Industry Job Study, the mailing industry provides 6 percent of the nation's jobs — 7.5 million — and contributes to the economy with $1.4 trillion in revenue, an increase of 9.5 percent from 2011. The study reports that 73 percent of mail industry jobs depend on the delivery infrastructure at which USPS is the center.[2] Our efforts to ramp up our investments in optimizing our retail, delivery, network, digital and enterprise platforms are crucial to deliver world-class service, improve efficiency and prepare our organization to meet future customer needs.

New Package Processing Technology

The growth in e-commerce has had a big impact on what we do and we're making sure we're a step ahead in our ability to handle it. To improve our handling of packages, the Postal Service is in the process of installing new Small Parcel Sortation Systems and expanding the capacity of existing Automated Packaged Processing Systems and the Automated Parcel and Bundle Sorter. In addition to the increased capacity provided by this sorting equipment, the Postal Service also has invested in new software and systems to improve the reading of address information and to improve the tracking of packages throughout the network. The Postal Service continues to invest in the research and development of new sortation machines and technologies to continue to expand the processing capacity and efficiency of the package network.

Full-Service Simplification and Promotion

Full-Service Intelligent Mail barcodes set the stage for achieving end-to-end visibility in the postal mailstream — and revolutionizing the way we do business with our commercial mailers. Building on existing technology, we're moving away from a manual, paper-driven process of accepting and verifying commercial mailings to a digitized process with programs such as eInduction, Seamless Acceptance and payment modernization. This shift in business processes will provide mailers with payment flexibility, preparation simplicity, ease of entry and induction, multiple access points for account management, and greater visibility into their mailing status and quality. As of August 2015, 88.76 percent of all eligible Full-Service volume was being prepared as Full-Service.

Seamless Acceptance (Letters and Flats)

Seamless Acceptance moves the Postal Service away from a paper-ridden acceptance process to an automated process that uses the Intelligent Mail barcode, electronic mailing information and scans from Full-Service Intelligent Mail Devices and mail processing equipment. This information is gathered and validated, then provided to both the Postal Service and mailers through quality metrics in the Mailer Scorecard, which provides a dashboard view of monthly mailing activity.

Several large-volume mailers are piloting Seamless Acceptance and 17.4 percent of total commercial volume was on Seamless Acceptance as of August 2015. Working with this initial group of mailers, we're continuing to monitor and enhance the program with the end goal of a roll-out to all commercial mailers.

Electronic Verification System — Several initiatives were successfully deployed in FY2015 to increase the adoption of the Electronic Verification System (eVS), including

[2] *Please download the EMA 2015 Mailing Industry Job Study at* http://www.envelope.org/ *for more information.*

comprehensive outreach efforts. As a result, eVS adoption grew from 75 percent to 90 percent.

Electronic Induction — Electronic induction, better known as eInduction, streamlines the preparation and induction of drop shipments and expedited plant load mailings and eliminates the need for paper induction documents. It leverages existing electronic documentation, Intelligent Mail container barcodes and handheld scanner technologies to verify payment and preparation of commercial mail containers.

The eInduction program, which was deployed in October 2013, offers commercial mailers key benefits such as quick appointment processing through the Facility Access and Shipment Tracking system, automated validation of entry discounts and 24/7 appointment resolution, and it supports Seamless Acceptance. eInduction also provides visibility and mail quality information for both the Postal Service and the mailer through the Mailer Scorecard. Over 52.4 percent of drop-ship containers were using the eInduction program as of August 2015.

Other New Innovations, Services or Processes — The Postal Service is working on an initiative to offer its commercial customers a level of self-service that's missing across current commercial payment channels. This new program is known as Enterprise Payment. Beginning in spring 2016, this solution will upgrade the customer payment process for commercial mailings. The Enterprise Payment program will be deployed in a phased approach. It will provide customers a secure portal to establish banking for ACH debit. Additionally, mailers will have a centralized payment account so they can easily pay for all of the postal products and services they use. A helpful feature will be access to comprehensive reporting and notifications about their payment account and current status.

Another USPS initiative is the Automated Package Verification (APV) program for package mailers. It's designed to validate accurate postage on packages to ensure proper revenue is paid using an automated approach. These automated approaches will be deployed across the Postal Service's end-to-end process utilizing existing equipment and new technology. The APV program will leverage highly accurate package data, provide a high degree of transparency into the Postal Service process and protect the customer experience by limiting disruption to the end customer.

We'll also launch our Premier Business Mail Entry Unit or Premier BMEU program. With the rapid advances in information technology, commercial mailers today are better informed and connected than ever before. Our mailers have access to real-time information for nearly every aspect of their business, and they expect immediate solutions to their most pressing mailing challenges. By analyzing the results of customer insight surveys and the interactions between our customers and acceptance employees, we identified a trend of customer needs. Intended to address mailer challenges by providing technical advice through on-site, personal customer support, the Postal Service is developing a training and certification program for our acceptance employees. This program will enhance and reinforce their knowledge to empower them with the tools to deliver solutions through diagnostics, research, consultation and hands-on assistance. The Premier BMEU will provide our customers a "one contact solution."

Enhanced Tracking and Visibility

The Postal Service remains focused on using technology to provide near real-time visibility for its mail and package products. We're enhancing performance through analytics and automation, and introducing new tools and technology solutions that benefit both the Postal Service and the mailing community.

Internal Service Performance Measurement Sampling — In FY2015 USPS implemented the internal service performance measurement sampling component of Informed Visibility. USPS employees use Mobile Delivery Devices to scan live mailpieces at selected collection and delivery points, reducing reliance on external support for service performance measurement and providing valuable insight into the first and last mile.

Volume Arrival Profile (VAP) Tool — During FY2015, the Postal Service enhanced our VAP tool. New routing functionality allows a site to route package pickups earlier in the day, ensuring carriers get back to the office before sundown. Improved drill-down capabilities help to better examine metrics and perform root-cause analysis for both positive and negative contributors. VAP also received new static route statistics that help supervisors better manage carrier scheduling and performance. Carrier scheduling is easier with the addition of work hour and volume information.

Bundle Visibility Program — In early FY2015, the Full-Service bundle visibility program was implemented nationally. This program provides increased visibility of Full-Service bundles at delivery units, closing a visibility gap. A pilot program for large saturation mailers was implemented, bringing online a new scanning and service monitoring tool that allows Delivery Operations to monitor field compliance scanning. This pilot program has enhanced saturation mail visibility by driving scanning scores from below 70 percent to over 90 percent.

Transition to the Intelligent Mail Barcode — The conversion from the POSTNET barcode to the Intelligent Mail barcode (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 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, service pair opportunity and start-the-clock day of week analysis. Reports were enhanced to include the mode matrix (air/surface indicator) which allows field managers to analyze origin-destination pair's performance based on mode of transportation.

The service performance diagnostic tools provide field managers with timely and meaningful information on potential service impacts allowing corrective action to be taken to eliminate potential service failures. The ability to see diagnostic data supports efforts to improve mail processing. For example, field managers are able to measure and reduce cycle time to consistently meet service targets. In addition, through container and individual mailpiece scans, field managers gain visibility into the elapsed time between each operational step in the process. As a result, incorrect mail flows and mishandlings are identified and corrected.

In FY2015, the volume of mail in measurement grew by 32 percent compared to FY2014. This was accomplished through enhanced business logic and improvement in scan compliance. Several new enhancements were added to the service performance diagnostics tool which provides greater operational visibility to field managers. These enhancements give new insight on service issues, enabling the field to systematically identify the root cause of top impacts.

Diagnostic reports allow mailers to uncover mail or documentation issues, which, when resolved, facilitate service improvements for their mail. Through the Full-Service option, mailers have access to the lowest automation rates, address correction for Full-Service mailpieces and visibility into their own mailings. The IMb

planning tool, available on the Rapid Information Bulletin Board System, 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.

Full-Service adoption increased in FY2015. Out of the 90 percent of IMb volume potentially eligible for participation in Full-Service, 88 percent was Full-Service as of September 2015 compared with 80 percent in October 2014. Among the major mail products, Standard letters experienced the highest increase in adoption rate (11 percent) in FY2015, from 77 percent to 88 percent. Full-Service adoption continues to be the highest for Presorted First-Class Mail, increasing by 5 percent in FY2015, from 86 percent to 91 percent. Full-Service Standard Mail flats increased by 9 percent, from 76 percent to 85 percent. Full-Service Periodicals increased by 4 percent, from 80 percent to 84 percent.

Through the use of service performance diagnostics tools, USPS continues to improve processes and reduce variance on service. The FY2015 commercial mail scores and the one-day service variance scores are as follows:

- Presort First-Class Mail Overnight ended the fiscal year at 95.74 percent, with mail delivered at 99.1 percent or within one day of the service standard;
- Presort First-Class Mail Two-day ended the fiscal year at 93.56 percent, with mail delivered at 98.5 percent or within one day of the service standard;
- Presort First-Class Mail Three-to-Five day ended the fiscal year at 87.78 percent, with mail delivered at 96.6 percent or within one day of the service standard;
- Standard Mail Destination Entry ended the fiscal year at 89.07 percent, with mail delivered at 96.3 percent or within one day of the service standard;
- Standard Mail End-to-End ended the fiscal year at 59.61 percent, with mail delivered at 74.7 percent or within one day of the service standard; and
- Periodicals ended the fiscal year at 77.68 percent, with mail delivered at 89.3 percent or within one day of the service standard.

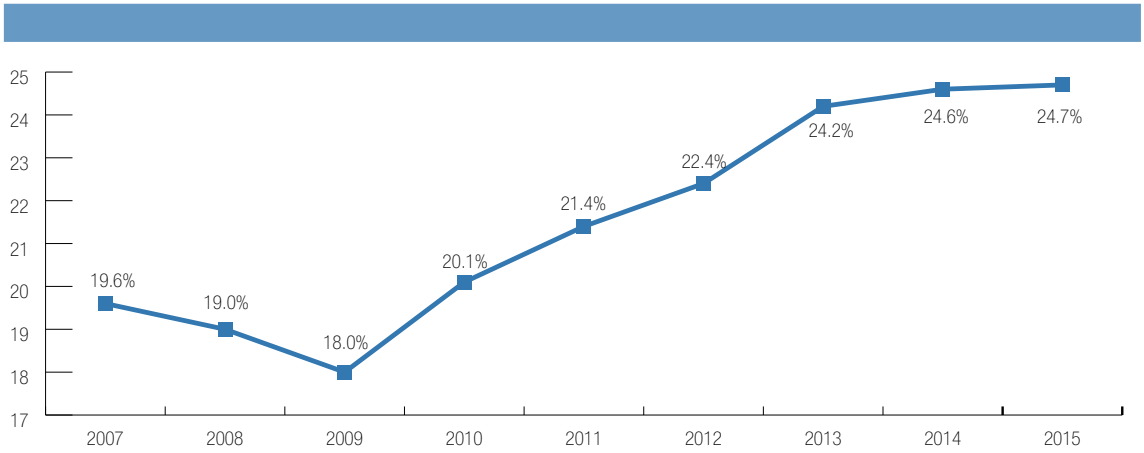
Creating Operational Efficiencies

From acceptance to delivery, we're focused on enhancing our operational performance and increasing customer value. We're working smarter and more efficiently. At the same time, we're preparing to meet future customer needs.

Total Factor Productivity (TFP) — Total Factor Productivity is an index that measures how efficiently the Postal Service uses resources (inputs) to handle all aspects of its workload. An increase in the TFP index indicates that the ratio of work being completed is increasing compared to the resources used and that the Postal Service is operating more efficiently. Workload consists of three primary components: delivery points, mail volume weighted by product type and miscellaneous output (e.g., passports). Resource usage is based on the constant dollar amounts (i.e., the costs adjusted for changes in prices) of the labor, capital and materials used by the Postal Service.

The chart on page 48 starts with the cumulative TFP improvement from 1972 to 2007 and then reflects the cumulative score each year since then. FY2015 marks the sixth consecutive year of positive TFP growth.

Total Factor Productivity
(Cumulative improvements compared to 1972 baseline)



Note: *Prior year results are updated based on most current data.*

Delivery Optimization — With the exception of packages, mail volume continues to decline while the number of addresses we deliver to steadily increases. Because of this, there's a need to continuously revamp the delivery infrastructure through route reviews and adjustments, focus on increasing centralized delivery and use technology to leverage comprehensive delivery applications. This includes the delivery management system and volume arrival profile. In FY2015, 75 Local Operations Centers (LOCs) were built in every area and district office to improve delivery and customer service by providing real-time insight into street delivery operations. These LOCs are being used to monitor and mitigate daily delivery unit conditions with possible customer service impacts.

In the past year, USPS completed the deployment of over 271,000 Mobile Delivery Devices (MDDs) to 24,666 delivery units in 19,472 postal facilities. The MDD with its innovative functionalities improves the Postal Service's ability to provide customers with real-time scanning and predictive delivery. MDD deployment provides new functionalities to all of USPS delivery routes including 143,000-plus city routes and over 73,000 rural routes.

Mode Conversion — Delivery work hours have been controlled by reducing the number of single-point deliveries while increasing the number of deliveries per carrier stop. By converting deliveries to a more centralized mode, this allows the Postal Service to provide consistent and reliable service in an efficient manner. Mode conversions also enable the Postal Service to reduce transportation costs. As a result of our communication and outreach efforts with our customers, in FY2015 USPS achieved a total of 122,025 voluntary conversions — 86,268 residential and 35,757 business.

Route Evaluations and Adjustments — Field management continues to inspect, evaluate and adjust delivery routes as necessary to control costs while improving service. During FY2015, the total number of routes increased by 2,412, from 224,365 to 226,777, absorbing over 1,059,000 additional delivery points.

Number of Routes, by Type of Delivery *(see page 48)*

(in actual units indicated, unaudited)

Route	FY2015	FY2014	FY2013
City	143,051	141,271	142,073
Rural	73,818	73,166	73,089
Highway contract route	9,908	9,928	9,990
Total	226,777	224,365	225,152

Postal Vehicle Inventory *(see page 50)*

(in actual units indicated, unaudited)

Vehicle type	FY2015	FY2014	FY2013
Delivery and collection (1/2–2½ tons)	193,489	189,750	190,104
Mail transport (tractors and trailers)	5,620	5,751	5,850
Mail transport (3–9 tons)	2,112	2,133	2,139
Administrative and other	6,414	6,249	6,449
Service (maintenance)	4,565	4,599	4,613
Inspection Service and law enforcement	2,733	2,782	2,529
Total	214,933	211,264	211,684

Real Estate Inventory *(see pages 51–52)*

(in actual units indicated, unaudited)

Real estate inventory	FY2015	FY2014	FY2013
Owned properties	8,524	8,583	8,598
Owned interior square feet	194,220,092	195,617,292	196,956,774
Leased properties	23,314	23,649	23,814
Leased interior square feet	78,144,453	77,838,427	79,045,620
GSA/other government properties	286	296	297
GSA/other government interior square feet	1,902,726	2,001,667	2,005,330

Real Estate Inventory Actions *(see pages 51–52)*

(in actual units indicated, unaudited)

Inventory actions	FY2015	FY2014	FY2013
Lease actions (alternate quarters, new leases and renewals)	6,206	5,282	3,487
Property disposals*	16	30	44
New construction (AQ, NCO, NCL and expansion)**	22	70	29
Repair and alteration projects (expense)	51,584	46,961	45,040
Repair and alteration expense totals	$ 215,000,000	$ 159,000,000	$ 156,000,000
Repair and alteration projects (capital)	6,981	6,431	4,178
Repair and alteration capital totals	$ 347,000,000	$ 226,000,000	$ 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.).*

***Includes the build-out of pre-existing non-postal spaces (Alternate Quarters [AQ]), the expansion of postal-owned space (Expansion) and the new construction of leased (NCL) or owned (NCO) space.*

Investing in the Delivery Fleet — The Postal Service invested $517.3 million in our delivery fleet. This includes 9,133 RAM ProMasters — used as extended capacity delivery vehicles — purchased for $256.8 million to replace our aging fleet of 1998 and 2003 minivans. In addition, 6,533 Morgan Olsen mixed delivery and collection vehicles, known as 2-tons, were purchased for $256.9 million to replace our aging fleet of 2001 and 2003 2-tons. *(See table on page 49.)*

Network and Transportation Optimization — In FY2015, the Postal Service began phase two of its network realignment efforts. During the year, an operating window change in processing operations was implemented, which allowed us to reduce the aging fleet of letter processing machines in our plants, improve utilization, reduce costs and increase equipment reliability. During FY2015, 15 of the full facility consolidations planned for this second phase were completed, with the remaining 65 deferred until FY2016. This action was necessary to provide time for the Postal Service to stabilize from many factors resulting from the complex processing changes that were implemented. We're using the tools of Lean Six Sigma throughout the organization to stabilize the network, drive standardized best practices in all operations and achieve targeted levels of service performance.

Lean Mail Processing (LMP) — LMP is being implemented in mail processing facilities nationwide. LMP is focused on improving operational efficiency and reducing cycle times between plant processes with the use of Lean Six Sigma tools and methodology. This is helping the Postal Service reduce waste and create an organized workspace with standardized roles and responsibilities. LMP also will help us standardize mail flow to ensure first-in, first-out processing. Additional benefits include reducing mail transport equipment inventories to align with mail processing needs.

Lean Management System, which is part of the latest LMP rollout, will use key performance indicators to drive improvements in mail processing operations, which in turn will result in better service for our customers and better budget outcomes for USPS.

Air Cargo Optimization — During FY2015, there was a significant increase in our air network volume — USPS flew more than 2 billion pounds of mail on multiple air carriers. This includes cargo carriers (FedEx and UPS) as well as several of the major commercial air carriers (American, Delta, Sun Country and United). In FY2015, we increased our contract relationship with commercial air carriers by adding Alaska Air and Hawaiian Air.

Ground Transportation Optimization — Highway transportation expenses for FY2015 were $3.6 billion. This is an increase of 3 percent, or $107 million, over FY2014. The primary drivers behind the increase in highway transportation expense were the increased capacity needs from the Operational Window Change (OWC), as well as the expanded ground Peak Season network in FY2015. This increase in highway transportation costs has been offset by the lower fuel prices and our efficiency measures to remove redundant transportation from the network.

International Operations Optimization — The Postal Service continues to focus on improving customer service through increased visibility for international and military mail, using customs data to improve operational processes. In cooperation with the U.S. Defense and State departments, USPS has enabled enhanced customer visibility and tracking of APO, FPO and DPO mailpieces leaving select high-volume locations in Europe, the Middle East and Asia. USPS also has increased the number of scan events on outbound international civilian items by integrating air carrier data and additional foreign post scan events into its tracking platforms. USPS is piloting "Green Lane" initiatives to expedite the

customs processing of inbound packages using electronic customs declaration data so it gets to the recipient sooner. The expansion of foreign post partners providing this data also is laying the framework for future strategic initiatives to expedite inbound international and military package sorting within domestic operations.

Team Cleaning at USPS — Cleaning might widely be considered simply a chore but at the Postal Service this activity is guided by new performance standards. In 2013, the USPS Maintenance Policies and Programs organization began researching and testing new custodial processes. Previous cleaning policies had not been updated for more than 46 years. Cleaning science and technology have evolved tremendously.

The American Postal Workers Union and the Postal Service agreed on new team cleaning standards and nationwide implementation was set in motion in June 2014.

Postal employees and the environment are beginning to reap the rewards of team cleaning concepts that emphasize cleaning for health instead of just cleaning for appearance. New processes use a standard set of chemicals distributed in ultra-small collapsible packets designed for easy recycling. There have been some growing pains as employees and management reprogram old muscle memories, but these changes are well worth the benefits especially since costs are lower and fewer chemicals are used.

Team cleaning has been implemented at more than 80 sites with FY2015 savings of $14.5 million.

Facilities Management

Our facilities are the primary place of interaction with many of our customers. We're focused on developing innovative solutions to improve that customer experience and provide world-class service. Our real estate portfolio of approximately 32,000 buildings includes 274 million square feet of interior space. It's vital that we manage and adapt our building portfolio to align with customer and organizational needs at a sustainable cost. The Facilities team provides appropriate facilities for Postal Service needs to ensure proper stewardship and management of real estate inventory and related resources.

Facilities performs strategic planning through "node studies" analyzing the processing, delivery and retail use of existing facilities, and current and future local service needs. This identifies communities that can benefit from additional or modified capacity and locations where capacity exceeds the needs of the Postal Service, representing potential opportunities for savings and revenue generation. The 61 node studies approved in FY2015 represent $100 million in net present value in potential savings.

We executed over 6,000 leases in FY2015, ensuring USPS operations could continue at these properties. Despite increases in lease rates driven by the recovering economy, the rates for leases over $50,000 were negotiated at 8.4 percent below market value. The sale and outleasing of (rental) excess real property, excluding gains, generated $194 million in gross receipts. This trend is slowing as economic conditions shift and opportunities decrease.

In FY2015, the Facilities team implemented portfolio modification projects ranging from emergency replacements to planned infrastructure changes supporting organizational and network initiatives. Facilities completed 22 new construction projects and 255 projects to consolidate or repurpose space within existing buildings. These projects enable the Postal Service to provide enhanced services, maintain or restore operations after catastrophic events, and combine multiple facilities into fewer or smaller locations when appropriate. USPS can take advantage of less costly space, sell large underutilized properties or move to smaller, more efficient space.

To meet the continual need to maintain our buildings, in FY2015 we completed over 41,000 repair, alteration and replacement projects along with 1,578 upgrades for the Premier Post Office program. We also finished 512 upgrades to maintain customer access in locations impacted by POStPlan, the strategy to modify retail window hours to match customer use. These measures ensure safety, security and serviceability of Postal Service buildings as we maintain and right-size our network to provide a positive customer experience.

The current industry trend of consumer migration away from brick and motor shopping to e-commerce, and the resultant growth in our package business, continue to impact our facilities portfolio management plan. However, the Facilities team continuously innovates and adapts the plan to address these marketplace developments. *(See tables on page 49.)*

Supply Management Impact

Our suppliers help us be successful in our mission of serving the American public. They provide equipment, materials and services that enable us to deliver superior products and services to our customers. Overseeing these relationships is our Supply Management organization, which supports key Postal Service programs by providing timely and lean solutions with its supply-chain partners. In FY2015, Supply Management supported many strategic initiatives including Network Optimization and World Class Package Platform activities. As Supply Management works with its business partners to increase the efficiency of moving the mail, we're equally focused on reducing the possibility of damaged and lost mail and improving the processes around handling such items. This effort, called Project ICE (Improve Customer Experience), includes multi-organizational project teams that work to identify and correct root causes for damaged and undeliverable mail.

In addition to our commitment to serving the American public, we're also committed to high levels of service in the delivery of USPS products and services throughout the world. In 2015, we awarded 2,000 air transportation service lanes in nine international regions while reducing the overall cost of these services.

Finally, while the United States accounts for 45 percent of the global market in cross-border shopping, our offerings are limited. Supply Management and Global Business are working together to bring the Global eCommerce Marketplace on line, positioning the Postal Service to become more competitive in providing these services.

Supplier Diversity — The Postal Service is recognized as a leader in multicultural business opportunities and the Supplier Diversity program continues to strengthen our competitiveness in the marketplace. In FY2015, the Postal Service had contract commitments that exceeded $4.5 billion with small businesses, $527 million with minority businesses and $766 million with women-owned businesses. *DiversityBusiness.com* named the Postal Service the country's top government agency for multicultural business opportunities, confirming a consistent and quality commitment to providing business opportunities to women- and minority-owned businesses.

Supplier Diversity supports several initiatives that emphasize supplier diversity as a core component of Postal Service operations. These include promoting supplier registration, delivering workshops, conducting one-on-one business meetings and maintaining a prominent presence on *usps.com*. When they go online, businesses can find information about steps to take to effectively market supplies and services within the postal marketplace. Supplier Diversity also maintains joint memberships with premier multicultural business and trade associations such as the National Minority Supplier Development Council, Women's

Business Enterprise National Council, U.S. Hispanic Chamber of Commerce, U.S. Pan Asian American Chamber of Commerce and the National Congress of American Indians.

During FY2015, the Postal Service:

- Registered over 1,600 suppliers through the electronic portal to do business with the Postal Service.
- Evaluated proposals and solicitation criteria to ensure the consideration of small minority- and women-owned business participation.
- Served as chair of the National Minority Supplier Development Council's procurement committee for the capital region.
- Collected, analyzed and reported quarterly direct awards and subcontracting data.

Accelerating the Pace of Innovation

Innovation waits for no one. While the Postal Service always has been a leader in embracing new technologies, we recognize the pace of change is speeding up — and we're keeping pace. In fact, we're accelerating our testing of new approaches to better serve our customer's changing needs and bring mail much more deeply into their digital lives. And, as mailing and shipping needs evolve, we'll make sure the Postal Service is the deliverer of choice. After all, we're the longtime experts at it.

Our Mailing Business

The Postal Service continues to drive innovations that give consumers more control over the mail they receive, make direct mail simple to send, enable multi-media touch points and reinforce the resiliency of mail as a trusted, effective communications channel.

Stamp Program — The Postal Service continues to issue postage stamps as a convenient and secure payment method for consumers. While more customers may be using postage they can print themselves at home or at work — especially when discounts are being offered — the basic postage stamp remains popular with consumers and collectors worldwide.

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 FY2011, all domestic First-Class 1-ounce stamps became Forever stamps with the exception of stamps in coils of 3,000 and 10,000, and those formats were added to the Forever program in FY2014. Forever stamps sell for the basic First-Class Mail 1-ounce price in effect at the time of sale.

A Global Forever stamp was introduced in 2013, offering a single price for any First-Class Mail International 1-ounce letter to any country in the world. Global Forever stamps may also be used to mail a letter up to 2 ounces to Canada.

In FY2015, we took the "Forever" stamp concept one step further and extended this convenience to customers needing stamps for mailing items weighing more than 1 ounce as well as for postcards and bulky or odd-sized envelopes that require hand sorting. The new "additional-ounce" Forever stamps will always be equal in value to the applicable price for the price category printed on them at the time of use. Customers purchasing these Forever stamps can easily determine their use by the descriptions on the stamps: "additional-ounce, postcard, non-machinable surcharge, 2-ounce and 3-ounce."

In FY2015, 28 new stamps were issued with 72 designs recognizing American history, culture, people and achievements. Some of the stamps issued — as part of the Postal Service's annual stamp program — paid tribute to individuals as diverse as Wilt Chamberlain, Robert Robinson Taylor, Martin Ramirez, Maya Angelou, Elvis Presley and Paul Newman. Other stamps issued included these subjects: Batman; From Me to

You; The War of 1812: Battle of New Orleans; The Civil War: 1865; Medal of Honor: Vietnam; United States Coast Guard; Special Olympics; and a social awareness stamp for Missing Children. Additionally, the Postal Service jointly issued stamps with Japan Post (Gifts of Friendship) and Sweden Post (Legends of Hollywood — Ingrid Bergman). Batman proved to be the biggest selling commemorative stamp issuance of the year with sales over $26 million. Batman was followed by Missing Children, From Me to You, Maya Angelou and Gifts of Friendship, which all generated over $10 million each. Our biggest-selling stamps, featuring Flags and Holiday themes, had much greater sales.

The Postal Service also is authorized by Congress to issue semi-postal stamps that are used to help raise funds for designated causes. The price of a semi-postal 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") helps fund causes designated by Congress, with money going to a congressionally selected executive agency or agencies.

Four semi-postal stamps have been issued since the program began in 1998. Since inception of semi-postal stamps to the beginning of FY2015, a total of $96.2 million had been raised. In FY2015, an additional $2.1 million was raised bringing the total to $98.3 million. The two semi-postal stamps on sale in FY2015 were the BCR and Save Vanishing Species stamps.

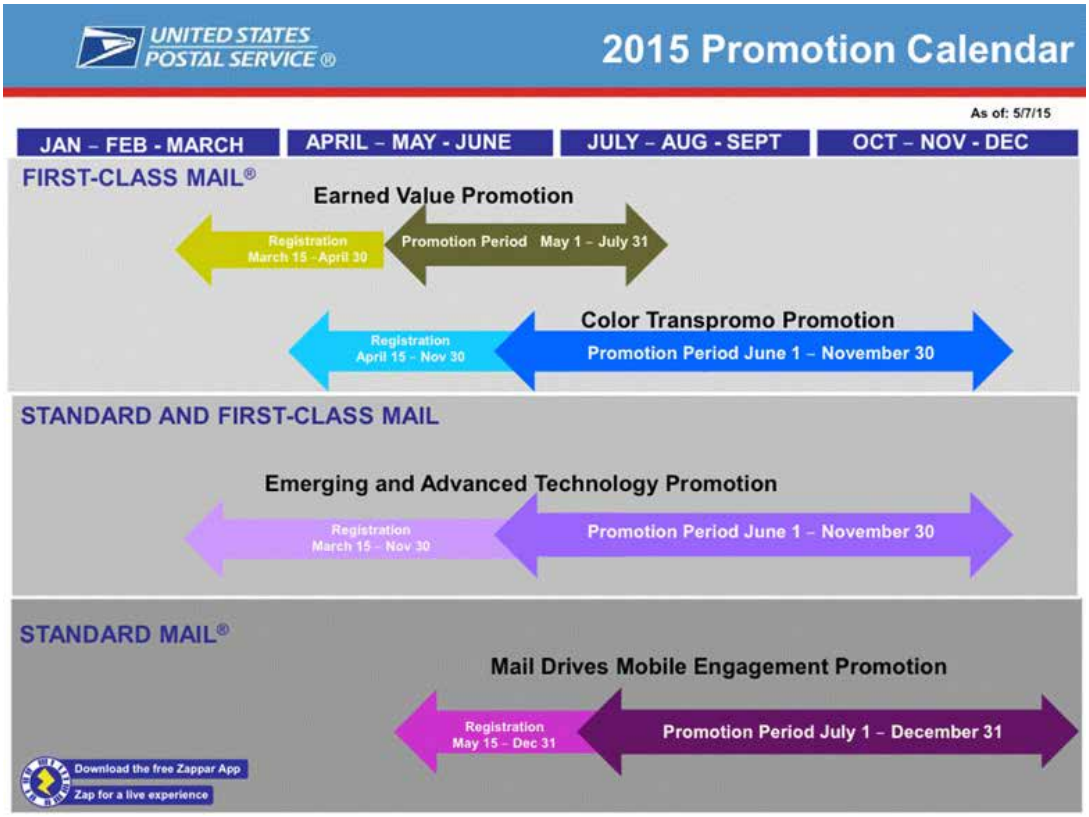
In FY2015 sales for the Breast Cancer Research stamp were over $9.7 million, raising nearly $1.8 million. This brings the total raised for BCR to over $81 million since 1998. By law, 70 percent of the net amount raised is given to the National Institutes of Health and 30 percent is given to the Medical Research Program at the Department of Defense.

In FY2015 sales for the Save Vanishing Species stamp were over $1.7 million, raising over $326,000 for the Multinational Species Conservation Fund (MSCF). This brings the total raised for MSCF to nearly $2.9 million since September 2011.

For more information about the Postal Service stamp program, visit *www.usps.com/stamps*.

Promotions — The Postal Service annually offers promotions designed to create excitement about mail and provide multiple opportunities for mailers to enhance the value of their mail. In FY2015, the Postal Service launched several promotions designed to help marketers engage their customers by using dynamic color print mobile technology as well as traditional and innovative mail techniques.

- Earned Value Reply Mail (May 1–July 31, 2015) — This promotion encouraged mailers to promote First-Class Mail as a primary reply mechanism for their customers and to keep Courtesy Reply Mail (CRM) and Business Reply Mail (BRM) envelopes in their outgoing mailpieces by providing a financial benefit when the CRM/BRM envelopes were used.
- Color Transpromo (June 1–Nov. 30, 2015) — In 2014, the Postal Service introduced this promotion to encourage mailers of bills and statements to use color messaging in order to create a greater connection to and response from consumers. In 2015, USPS continued this approach to grow the value of First-Class Mail and encourage mailers to invest in color print technology.
- Emerging and Advanced Technology (June 1–Nov. 30, 2015) — The Postal Service continues to encourage mailers to integrate direct mail with mobile technology or new advances in print. With this promotion, mailers could earn an upfront 2 percent postage discount on mailpieces that incorporated an advanced print technology such as innovations in paper and ink, included the use of standard



near field communications or included an "advanced/enhanced" augmented reality experience.

- Mail Drives Mobile Engagement (July 1–Dec. 31, 2015) — This promotion provided mailers with the opportunity to earn an upfront 2 percent postage discount by integrating mobile technology with direct mail to create a convenient method for consumers to engage and interact with their printed mailpieces. USPS wants to encourage mailers to adopt and invest in technologies that enhance the value of mail and create consumer excitement.

Every Door Direct Mail (EDDM) — Every Door Direct Mail (EDDM) service is an easy, cost-effective way for marketers to reach potential customers near their businesses. Using an online mapping tool available at *usps.com*, mailers can select individual postal routes for delivery to every household on those routes. They also can refer to demographic data in choosing routes. In February 2015 this tool was optimized for viewing on mobile tablet devices. With EDDM Retail, customers can pay for and enter their mail at the retail counter using simplified mailing preparation. Since its launch in April 2011, EDDM has generated over $1.7 billion in revenue and nearly 11 billion mailpieces from mailers across the country.

Market-Dominant Product Pricing and Classification — Our Mailing Services, which include First-Class Mail, Standard Mail, Periodicals and certain parcel services, account for approximately 76 percent of our annual operating revenues. Price increases for these services are generally subject to a price cap by class of mail based on the Consumer Price Index for All Urban Consumers (CPI-U). Our Board of Governors sets

the prices, which are reviewed by the PRC. Prices for certain Mailing Services increased an average of 1.9 percent in May 2015, 1.7 percent in January 2014 and 2.6 percent in January 2013.

Price Increases — On May 7, 2015, the PRC approved price increases for the Market Dominant products of Standard Mail, Periodicals and Package Services. Previously, the PRC had approved price adjustments for First-Class Mail and extra services. The average price increases, which became effective May 31, 2015, were slightly below the CPI-U price cap of 1.966 percent. We expect these price increases to generate approximately $900 million in annualized contribution.

Exigent Surcharge — In December 2013, the PRC ruled that the Postal Service could collect an exigent surcharge to recoup revenues lost due to the Great Recession's impact on mail volume. The surcharge revenue is in addition to revenue that the Postal Service would generate solely from a price increase based on CPI-U.The PRC determined the value of this lost revenue to be $3.2 billion in incremental revenue, and $2.8 billion in contribution. The ruling also stated that when this revenue amount is reached the Postal Service must remove the surcharge from their prices.

As a result of the ruling, the Postal Service implemented a 4.3 percent temporary exigent surcharge on Mailing Services in January 2014. That same month, the Postal Service filed an appeal of the PRC ruling in Federal Court. In June of 2015, the Federal Appeals Court ruled in favor of the Postal Service's appeal. They remanded the case back to the PRC to review the total amount of surcharge originally awarded. In their review the PRC determined that the Postal Service was due an additional $1.4 billion in revenue. The new total incremental revenue target number for the exigent surcharge is $4.6 billion. In FY2015, the Postal Service collected $3.5 billion in incremental revenue from the surcharge. We expect the surcharge to remain in effect until approximately April 2016, absent a successful appeal.

Our Shipping and Packages Business

As shipping and package volumes and revenues continue their impressive growth, the Postal Service took steps to simplify products, offer people more control over where, when and how they receive packages and provide superior labeling, manifesting and payment solutions.

Priority Mail Pricing — The Postal Service did not change Priority Mail prices in FY2015. This strategy builds on Priority Mail's popularity with customers. Unlike others in the shipping industry, the Postal Service did not implement any new dimensional weight changes. When customers ship with Priority Mail, they get free insurance, expected delivery day and Flat Rate and Regional Rate packaging options. Priority Mail is one of the Postal Service's most popular shipping products, helping to boost the Postal Service's package volumes and meet customers' needs for convenience at competitive prices.

Dynamic Routing and Sunday Delivery — To continue meeting the needs of today's consumers, the Postal Service increased package delivery from six days per week to include Sunday in select ZIP Codes. While the Postal Service has delivered on Sundays during the holidays in the past, in FY2015, Sunday delivery was expanded across the nation throughout the year. All totaled, USPS delivered over 77 million packages on Sunday to homes, businesses and Post Office Boxes this year.

Package Pickup — We not only deliver to every address — we also will pick up packages from those same addresses. To improve convenience, more USPS shipping products now can be picked up from customers' homes and offices through our free Package Pickup service. Customers go online to *usps.com* to request that their carriers pick up their packages

during regular delivery the next business day. Previously, free Package Pickup was only available for expedited products, returns and international items. Now, free Package Pickup also includes First-Class Package Service, First-Class Mail parcels, First-Class Package Returns and ground products. We also made changes to our Pick up on Demand service, which provides pick up within a two-hour window for a fee. Requests for this option can now be scheduled up to a year in advance and the service can be requested on *usps.com*.

Metro Post — The Postal Service continued to expand its market test of Metro Post same-day delivery. The test product, which was introduced in 2012 in San Francisco, enables consumers to receive same-day delivery on packages ordered at participating retailers before 2 p.m. In FY2015 the Postal Service delivered nearly 200,000 Metro Post packages to consumers and businesses in the New York metro market.

Returns — The Postal Service expanded Parcel Return Service Return Delivery Unit (RDU) to 932 additional pickup locations. Customers now can pick up packages within 48 hours at 9,063 RDUs across the country.

gopost — Currently in a testing phase, gopost is the Postal Service's convenient way to receive and ship packages. Our gopost units are automated, secure, self-service parcel lockers that are placed in convenient locations, where customers can pick up or ship packages 24 hours a day, seven days a week 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. In FY2015, the program added eight new gopost locations in the New York City area. The gopost program is a key component of Postal Service efforts to better service the needs of our customers receiving packages.

Other Products and Services

Customized Delivery (Groceries) — The Postal Service developed and implemented technology and business processes that enable USPS to provide pre-dawn delivery services with Amazon Fresh, a grocery purchase and delivery product. This program extends the Postal Service's package manifesting, dynamic routing and delivery capabilities. Since its launch in September 2014, revenue for this customized delivery effort is over $902,000 from pilot programs in seven cities.

Passports — The Postal Service, in partnership with the U.S. State Department Passport Services, makes it easy and convenient to apply for a passport. Postal Service employees accept more than 68 percent of first-time applications. Over 5,000 USPS facilities provide fee-based acceptance of first-time applications for a U.S. passport book or passport card. Over 4,500 facilities provide both passport acceptance and photo services (for a fee). Total passport revenue for FY2015 from both applications and photos was in excess of $176 million, an increase of 6 percent over the previous year.

A near-term goal is to improve contribution from passports by increasing efficiency, growing the number of applications accepted and improving service to meet State Department requirements. In particular, the emphasis will be to improve the percentage of passport mailings processed through automation and consolidate passport facilities. The Postal Service has implemented passport acceptance centers in larger cities to provide passport services in a separate area or location, focusing on customer service and convenience.

Post Office (PO) Box Service — At 8,400 Post Office locations, we offer competitive PO Box service, which offers enhancements similar to services offered by our competitors and at comparable prices. More than 1 million customers have signed up for the following services:

- Real Mail Notification — Customers receive daily emails or text messages to inform them that they have mail in their PO Boxes. During FY2015, more than 327,000 customers signed up for this service.
- Street Addressing — Mail is addressed to a customer using either their PO Box or the street address of the postal location, along with the PO Box number. Over 400,000 customers used this service during FY2015.
- Signature on File — Offered for receipt of Priority Mail Express Mail, insured mail over $500, Return Receipt (electronic) and Signature Confirmation, more than 286,000 customers used this service.

In choosing a new competitive PO Box, customers could participate in the "Baker's Dozen" — 13 months of service for a 12-month payment — and a deposit was not required for the first two keys. Many locations also offer expanded lobby access hours and earlier times when mail will be available for pickup.

PO Boxes offer the convenience of online billing and payment. Federal agencies now can link and pay for all boxes and caller services through their Official Mail Accounting System accounts.

Our Global Business

Our efforts to improve the customer experience include our global business. The Postal Service has a number of bilateral agreements with foreign posts, and we continue to seek additional revenue-enhancing pacts with other postal administrations that have extensive exchanges of mail with the United States.

Commercial Outbound ePacket — In FY2015, we expanded our Commercial Outbound ePacket service to Brazil. This service meets the needs of e-commerce merchants for low value, lightweight items up to 4.4 pounds. It's now available to 28 countries and the Postal Service plans to continue adding destinations in the future.

Ongoing Bilateral Agreements — A two-year bilateral agreement with Canada Post renewed in FY2014 is being renegotiated for another two-year period beginning in January 2016. The focus is on continued close collaboration to meet the demands of cross-border e-commerce customers through innovative services, increased reliability, visibility and predictability. A two-year bilateral agreement with Australia Post, also renewed in FY2014, is being reviewed for extension to meet the demands of e-commerce customers for reliable package services. The bilateral agreement with the Netherlands was renewed in FY2015 for a two-year term.

In the Asia/Pacific region, bilateral contracts with the postal administrations of the China Post Group and Hong Kong Post were renewed October 1, 2015. A bilateral agreement with Korea was being reviewed for renewal for the remainder of calendar year 2015. For the time being, previous bilateral agreements with Singapore and Vietnam have been suspended.

Enhancing Global Products — In FY2015, many initiatives were designed to increase awareness of the USPS international services brand. For example, new packaging displays were placed in retail units to promote Global Express Guaranteed (GXG) service. This display also includes how to complete the necessary forms properly. GXG also was added to additional PC Postage platforms in FY2015, giving more customers access to the service. Priority Mail Express International (PMEI) moved to a combined shipping label/customs form. The new PS Form 2976-B, *Priority Mail Express International Shipping*, reduces paperwork and improves the customer's overall experience.

At our retail locations, we added more signage elements promoting international services to help build awareness of different services and their features. Our Global Business group also held a summer contest to promote international services to universities, small/medium businesses and to ethnic organizations to target additional potential customers for international services.

Connecting Communities

Our employees not only are the faces of public service in communities across the nation — they give back in many ways, from collecting food for families in need to raising awareness about important issues to even helping save lives. During the annual Stamp Out Hunger Food Drive, USPS letter carriers collected 70.6 million pounds of food donated by customers on their routes and destined for local food banks, pantries or shelters. It was the 11th consecutive year that more than 70 million pounds were collected, adding to the more than 1 billion pounds of food collected since the effort began. Stamp Out Hunger, the nation's largest single-day food drive, was launched in 1993 by the National Association of Letter Carriers and is supported by the Postal Service. Canned and non-perishable items are collected by 230,000 letter carriers and other Postal Service employees in 10,000 cities and towns in all 50 states, District of Columbia, Puerto Rico, Virgin Islands and Guam.

Each year in May, the Postal Service supports National Dog Bite Prevention Week. This public safety campaign builds awareness concerning animal attacks. Nationwide, 5,767 Postal Service employees were attacked in calender year 2014. Of the 4.5 million Americans bitten by dogs annually, half are children, according to the Centers for Disease Control and Prevention. The Postal Service, medical community, veterinarians and insurance industry are working together to educate the public that dog bites are avoidable.

Working with Valassis Communications Inc., the National Center for Missing and Exploited Children and the Postal Inspection Service, the "Have You Seen Me" campaign demonstrates the power and reach of mail. The campaign's ability to connect citizens across the country has been instrumental in returning 158 missing children to their families as of May 2015.

Each year, Postal Service employees go beyond the call of duty, some even risking their own safety, to save the lives of the customers they serve. Hundreds have been recognized as heroes over the years. At its annual recognition event in Washington, DC, the Postal Service honored Carmichael, CA, letter carrier Scott Gallegos as the 2015 National Hero of the Year. In just his fourth week on the job, Gallegos risked his life on his route to save a woman who had been shot by a man who then engaged police in a five-hour standoff.

The Postal Service, the National Marrow Donor Program and the Be the Match Foundation created the "Delivering the Gift of Life" campaign 18 years ago. To date, 59,848 Postal Service employees and their families have joined the donor registry as of July 2015.

Since 1912, Postal Service employees, charities and individual and corporate volunteers have helped children and families in need experience the magic of the holiday season by answering letters to Santa.

The Postal Service and Postal Inspection Service dedicate one week in March every year — National Consumer Protection Week — to educate consumers about identity theft and other fraud schemes and provide tools and information to combat these crimes.

Crime Prevention and Consumer Education

The Postal Inspection Service, comprising Postal Inspectors, uniformed Postal Police Officers, contract security providers and a cadre of professional, technical and administrative employees, helps ensure the safety and security of all employees as they serve the American public in every neighborhood across the country.

Fraud schemes continue to be a major concern, targeting the elderly and the young, the rich and the poor. Fraudsters have no regard for the age or socio-economic status of their victims. Technological innovation has extended the reach of these criminals who know no boundaries and makes law enforcement and prosecution efforts more difficult. Identity theft claims thousands of

American victims each year, while businesses and consumers suffer millions of dollars in losses and untold amounts of frustration and misery recovering from these scams. In response, the Postal Inspection Service has developed a unique approach to consumer crime prevention: the Consumer Alert News Network (CANN). Now in its third year, this original news series exposes fraud, identity theft and cyber scams. Developed in partnership with Litton News Source, CANN helps educate consumers on prevention measures to avoid crimes including bogus job offers, sweepstakes swindles, foreign lottery fraud and charity scams. Each episode is presented by the inspectors who investigated the crime and the consumers who were victimized. Since its launch in September 2012, more than 430 episodes have been distributed to nearly 120 television stations across the nation — representing a potential 3.8 million viewers. The goal is simple: help consumers preserve their health, welfare and financial well-being.

Environmental Impact

We promote a culture of conservation throughout the organization. We have a rich history of setting goals to reduce our impact on the environment, and we lead by example.

Sustainability Performance — The Postal Service is committed to reporting the results of our sustainability efforts every year. Our targets are in conjunction with those established through executive order in terms of reductions and base years for comparison. In FY2014, we achieved the following:

- Total greenhouse gas emissions were down 13 percent.
- Facility energy use was down 31 percent.
- Water usage was down 35 percent.
- Consumables purchased were reduced by 36 percent.
- Waste diversion from landfill was 38 percent.
- Transportation fuel use increased 11.5 percent.

The first four results met or exceeded our targets. Diversion from landfill to recycling was below target. We're implementing a standardized National Recycling Operation which, when completed, is expected to drive diversion from landfill to recycling to over 90 percent. The continued increase in fuel use is due to the growing number of delivery points, more postal-owned vehicles on rural routes and an aging fleet of delivery vehicles that is scheduled to be replaced.

We have a rich history of setting goals to reduce our impact on the environment. Our current sustainability goals, which were formulated in the early 2000s, are an example of that history.

As a sustainability leader, we report three separate greenhouse gas inventories. The first is with our federal peers through Executive Order 13693: Planning for Federal Sustainability in the Next Decade. The second is with our industry peers at the International Post Corporation, and lastly, with our business peers at The Climate Registry. In addition, we also report progress to the White House Council on Environmental Quality in the Strategic Sustainability Performance Plan and the Office of Management and Budget Scorecard. Each of these efforts furthers our transparency.

In the coming year, we'll examine our successes and identify areas of opportunity to formulate new goals for the next decade. Additionally, to better align our organization to our federal peers, we're adjusting our goals this year to reflect a new time frame. This approach is in line with Executive Order 13693. While the Postal Service is not obligated to comply with this executive order, we've determined that sustainability is a best business practice.

Climate Change Adaptation and Mitigation — Executive Order 13693, which was released

in March 2015, asks each agency to consider climate impacts in operational preparedness planning by calculating the potential cost and risk to the mission associated with agency operations, facilities, transportation, communication and energy demands.

By addressing the impact of climate change on the Postal Service, we'll better position the organization to manage emerging mission risks and ensure ongoing effective operations. We'll continue to incorporate climate change into strategies, plans, business processes and programs.

Subject matter experts from throughout the Postal Service met monthly in 2015 to move planned actions forward, identify additional risks and create a strategy to address the risks. Additionally, team members pledged to take actions in their personal lives to reduce their impact to the Earth, such as upgrading home light bulbs to energy efficient LEDs, purchasing and using a programmable thermostat, and eating a plant-based meal an additional time per week. Moving forward, the team will continue to identify actions that can be taken to address the challenge of making the Postal Service climate resilient.

Read our plan at: *http://about.usps.com/what-we-are-doing/green/climatechange.htm*.

Annual Sustainability Report — Every year, the Postal Service releases an Annual Sustainability Report that reflects on the prior year's performance and highlights key initiatives that promote a culture of conservation throughout the organization. The 2014 Annual Sustainability Report was released in April 2015. It featured new infographics to improve readers' understanding of the USPS sustainability story. It also included an interview with the Postmaster General and Chief Sustainability Officer, touching on topics ranging from sustainability and the Postal Service's mission to the importance of preparing for a changing climate.

The Annual Sustainability Report follows the Global Reporting Initiative framework to offer consistency and transparency. This is one of the most widely recognized reporting standards for public sustainability performance disclosure.

Read the Annual Sustainability Report *at: http://about.usps.com/what-we-are-doing/green/report/2014/.*

Environmental Compliance — Continuous improvement drives our management systems approach to environmental compliance. Environmental compliance reviews (ECRs) are the foundation of our compliance programs and the mechanism to implement several national strategies. ECRs are conducted at approximately 700 of our high-environmental-risk facilities (sites with mail processing, vehicle maintenance, regulated underground storage tanks [USTs] and other significant permits/plans) on a three-year cycle. Each year we conduct approximately 200 ECRs. Beyond assessing compliance, ECRs also provide "hands on" training and assistance to facilities in data management, record keeping and other vital functions, and also assist in disseminating policies, guidance and tools, and collecting records and data for corporate systems.

Standardized guidance, training and record keeping are now part of our electronic management systems approach to maintain compliance. Additionally, a centralized data management system provides easy access to key environmental data indicators. This year, we continued to expand our inventory of program guidance and implementation tools on our compliance website.

In FY2015, the Postal Service's environmental and supply management functions issued a joint policy prohibiting the procurement and use of products containing 13 targeted chemicals. The policy supports USPS pollution prevention goals to minimize the use of hazardous chemicals and reduce the generation of

hazardous waste. Additionally, employees are encouraged to purchase environmentally preferred products, which are specifically identified in USPS product catalogs with a green leaf icon.

In FY2015, the Postal Service continued implementing a new UST strategy focused on providing USPS with a modern tank infrastructure that reduces environmental risk, improves emergency fueling planning, and maintains associated bulk fuel cost savings. In addition to strategically removing and replacing USTs, the program establishes a centralized national monitoring system and provides on-site compliance support.

USPS BlueEarth Federal Recycling Program (for Printer Cartridges and Electronic Waste) — With the knowledge gained from our own sustainability efforts, the Postal Service is committed to assisting our customers in achieving their own green objectives.

The USPS BlueEarth Federal Recycling Program is part of a branded suite of sustainability solutions and innovations designed for our federal customers. The program provides government agencies and their employees with the ability to securely and efficiently recycle electronic devices and printer cartridges free of charge on a national level. Recycling programs help prevent e-waste from going to landfills, which can be dangerous to both the environment and human health.

Twenty-three federal agencies are currently enrolled, including the Postal Service. Federal agencies receive a recycling activity report with data to assist them in meeting Executive Order 13693 sustainability requirements. Additionally, this effort has been recognized as an example of "federal government leading by example" under the National Strategy for Electronic Stewardship.

All federal agencies can enroll in the USPS BlueEarth Federal Recycling Program to recycle electronic devices using the Postal Service network. This program makes it simple for federal agencies and their employees to properly dispose of items such as printer cartridges and obsolete small electronics. All items are shipped to a certified third-party recycling facility, which ensures they are either securely recycled or re-manufactured for resale opportunities.

Besides providing a simple, secure and cost-effectively way to recycle e-waste, the USPS BlueEarth Federal Recycling Program also increases mail volume and postage revenue. For information about the program for federal agencies, visit *http://blueearth.usps.gov/*.

National Recycling Program — As previously stated, the Postal Service diverted only 38 percent of its waste from landfills to recycling. We strongly believe we can significantly increase this percentage and do so in a financially beneficial way. The Postal Service generates a large amount of recyclable material, the majority of which is mixed paper. We continue to incur disposal costs to handle much of this material, which would better be turned into revenue through recycling. Just like many other organizations in the transportation, shipping and service sectors in the U.S. economy, the Postal Service is increasingly looking to leverage its existing reverse logistics capabilities into business opportunities. For the Postal Service, with its extensive nationwide transportation network, the opportunity is significant.

In FY2014, USPS launched a five-year National Recycling Operation capital equipment investment initiative that will expand its backhaul recycling to every part of the country. Backhauling is using the space available in trucks and mail transportation equipment to carry recyclables from Post Offices to large distribution centers and hubs on the return trip from transporting mail to Post Offices. The materials are consolidated for recycling at those hub locations, and thus no additional transportation is required for handling recyclables. To date capital

equipment has been deployed into 15 districts and 35 USPS facilities.

USPS BlueEarth Secure Destruction Mail Service Program — The USPS BlueEarth Secure Destruction Mail Service Program is another key branded and innovative sustainability solution, launched nationwide in FY2015. Designed specifically for business mailers using the Intelligent Mail barcode, the program securely shreds and recycles letter-size pieces of undeliverable-as-addressed First-Class Mail with personal protected information that would otherwise be returned to the sender. Secure Destruction is an opt-in service that operates under the protection and supervision of the Postal Service.

Mailers enrolled in the program receive a daily electronic notice of the mailpieces sorted for Secure Destruction. These e-notifications are provided to registered mailers through the USPS Electronic Product Fulfillment customer portal website.

Mailing industry benefits of Secure Destruction:

- Reduces carbon emissions (i.e., greenhouse gases). The Postal Service estimates that for every 25,000 pieces of carrier-delivered return-to-sender (RTS) mail that's destroyed, carbon emissions are reduced by an average of 1 metric ton of CO2 equivalent;
- The process takes place within secure USPS facilities by postal employees, reducing risks of information exposure; and
- All securely destroyed mail will be recycled, thus reducing the demand on natural resources.

Benefits for registered mailers:

- Reduction of in-house costs for handling and destroying RTS mail;
- Visibility into the process through daily automated notifications on the USPS Electronic Product Fulfillment website; and
- Improvements in privacy protection for customers.

The Postal Service surpassed its FY2015 goal of intercepting and destroying over 21.7 million pieces of RTS First-Class letter mail as result of implementing the program. The target goal for FY2016 is 41.6 million pieces or 5 percent of all automated pre-sort RTS mail.

FY2015 performance:

Metric	FY2015 Actual	FY2015 Variance	FY2015 Target
Mail Volume (pieces)	23,124,306	1,418,327	21,705,979
Potential GHG Reduced (metric tons CO2 equiv)	925.0	56.7	868.2
Paper Recycled (metric tons)	590	36.2	553.8
Capture Rate	2.66%	0.16%	2.50%

Maintaining Focus and Accelerating Growth

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's sponsored by the Postmaster General with direct oversight from the 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 initiatives.

In FY2015, progress was tracked through a detailed reporting system and reviewed every two weeks by the ELT. We continue to make improvements to our governance processes using industry best-practice approaches to ensure successful outcomes. The DRIVE 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 Service corporate-wide goals as shown in the FY2015 DRIVE Portfolio of Initiatives table. In FY2015, the Postal Service focused on the implementation of a portfolio of 18 strategic initiatives to meet its ambitious performance and financial goals. To date, the DRIVE portfolio has been able to drive significant revenue and cost-savings measures through our initiatives to make a positive impact on the Postal Service financial outlook in FY2015 and beyond. The strategic initiatives identified for FY2015 were designed to respond to the changing environment of the Postal Service moving from a solely economic model to a model focusing on change, improvement and increasing our competitiveness to increase revenue generation.

We continue to refine and grow our initiatives to best serve the overall needs of the Postal Service. To that end, the FY2015 DRIVE Portfolio of Initiatives table demonstrates our changes to the portfolio since FY2014. The changes to our initiatives can be categorized by the following five actions:

1) ⊎ New — Initiative has been created in FY2015 to address an emerging business need.

2) ⇔ Continued — Initiative continued into FY2015 with minimal changes from FY2014.

3) ⊗ Closed — Initiative was closed as a result of a completed activity or change in business need.

4) ⇑ Refined — Initiative was refined to reflect the current business situation and to achieve greater alignment with organizational goals.

5) ‡ Combined — Initiative was combined with a similar DRIVE initiative(s) to more accurately reflect the current business situation and provide greater alignment organizationally. *(See table on page 65.)*

FY2015 DRIVE Portfolio Initiatives

Corporate Goal	Strategies	FY2014 Initiatives	Change Year Over Year	FY2015 Initiatives
Service	Optimize the Value of Infrastructure	Optimize Network Operations	⇔ Continued	Optimize Network Operations
		Optimize Delivery Operations	⇔ Continued	Optimize Delivery Operations
		Transform Access	⇔ Continued	Transform Access
		Optimize Facility Footprint	⇔ Continued	Optimize Facility Footprint
		Build a World-Class Package Platform	⇔ Continued	Build a World-Class Package Platform
			⊎ New	Modernize Delivery
Customer Experience	Improve Customer Experience	Improve Customer Experience	⇔ Continued	Improve Customer Experience
	Leverage Technology to Drive Business Value	Streamline Commercial Mail Acceptance and Enterprise Payment Business Innovation Through IT Achieve 100% Product Visibility	‡ Combined	Leverage Technology and Data to Drive Business Value
Financial	Grow Revenue from Innovation, Core Products and Markets	Manage Funnel and Launch Innovations Establish the Digital Platform	⇑ Refined	Accelerate Innovation
		Customer Growth and Retention	⇑ Refined	Sales Excellence
		Market New and Existing Services	⊗ Closed	
		Grow Small Business Revenue	⊗ Closed	
			⊎ New	International Competitiveness
	Strengthen Financial and Risk Management Capabilities	Obtain PCI Compliance	⇔ Continued	Obtain PCI Compliance (Closed Q2)
		Achieve 100% Customer and Revenue Visibility	⇔ Continued	Achieve 100% Customer and Revenue Visibility
		Enhance Enterprise Risk Management Capabilities	⊗ Closed	
		Revenue Assurance	⇔ Continued	Revenue Assurance
		Greenfield Costing	⇔ Continued	Greenfield Costing
Workplace	Build Competitive Workforce of the Future	Building the Workforce of the Future	⇔ Continued	Building the Workforce of the Future
			⊎ New	Building an Integrated Human Resource System

Trademarks

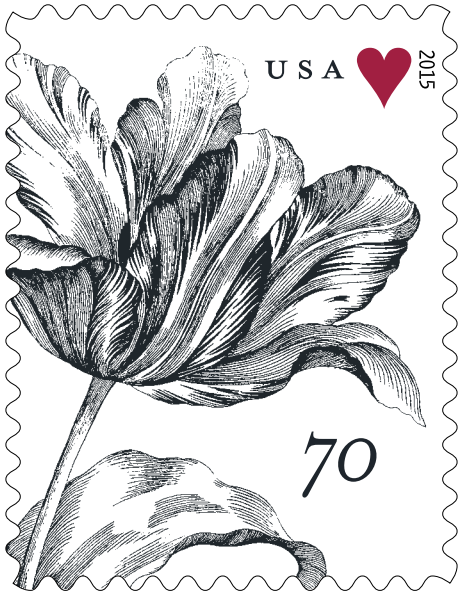
The following are among the many trademarks owned by the United States Postal Service®:

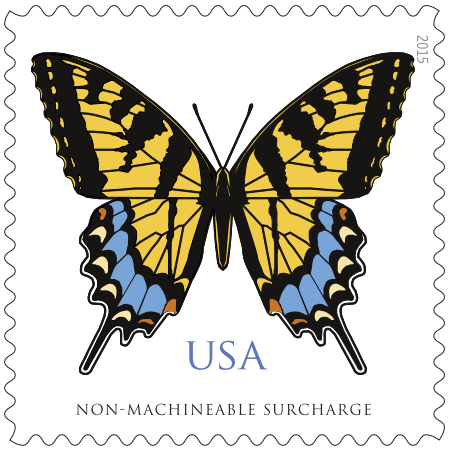
1-800-ASK-USPS®, ACS™, APC®, Approved by the Postmaster General®, Approved Postal Provider®, Automated Postal Center®, Carrier Pickup™, Certified Mail®, Click-N-Ship®, Commercial Base®, Commercial Plus®, Confirm®, Critical Mail®, Customized MarketMail®, Delivery Confirmation™, DineroSeguro®, DMM®, EDDM®, EDDM Retail®, ePacket®, EPM®, Every Door Direct Mail®, Express Mail®, FAST®, FASTforward®, First-Class™, First-Class Mail®, First-Class Mail International®, Forever®, Global Direct Entry®, Global Express Guaranteed®, gopost®, IM®, IMb®, Intelligent Mail®, International Priority Airmail®, International Surface Air Lift®, LACSLink®, Media Mail®, MERLIN®, Metro Post®, Mover's Guide®, MyUSPS.com®, NCOALink®, Netpost®, OneCode ACS®, Our Priority Is You®, Parcel Post®, Parcel Select®, PC Postage®, PCC®, PLANET Code®, PO Box™, Post Office™, Post Office Box™, Postal Service™, PostalOne!®, POSTNET™, Premium Forwarding Service®, PRIORITY:YOU®, Priority Mail®, Priority Mail Express®, Priority Mail Express International®, Priority Mail Flat Rate®, Priority Mail International®, Priority Mail Regional Rate®, RDI™, ReadyPost®, Real Mail Notification®, REDRESS®, Registered Mail™, RIBBS®, Self-Service Ship and Mail Center & Design®, Signature Confirmation™, Stamps by Mail®, Stamps to Go®, Standard Mail®, Standard Post™, The Postal Service®, U.S. Mail®, U.S. Postal Service®, United States Postal Inspection Service®, United States Postal Service®, United States Postal Service Office of Inspector General and Design®, USPS®, USPS BlueEarth®, USPS Change of Address®, USPS Delivery Confirmation®, USPS Digital Services™, USPS Electronic Postmark®, USPS ePacket®, USPS Mobile®, USPS Package Intercept®, USPS Tracking®, USPS.COM®, Village Post Office™, VPO®, ZIP Code™, ZIP + 4®.

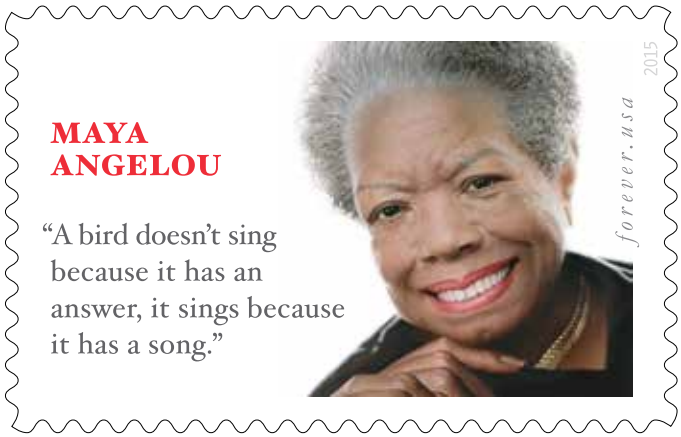
The Sonic Eagle Logo and the trade dress of the Round Top Collection Box, the Letter Carrier Uniform, USPS packaging and the LLV Mail Truck are also among the many trademarks belonging to the United States Postal Service.

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.







2015 Forever Stamps