Operations Update

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Chief Logistics and Processing Operations Officer & EVP

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United States Postal Service

Reimaging the Network for Peak Season and Beyond

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'Delivering for America' strategic goals

Through strategic management actions, and modest regulatory and legislative changes, the Postal Service can achieve long-term financial sustainability, dramatically improve service performance and operational efficiency, invest in our infrastructure and workforce, improve and enhance the well-being of our employees, and preserve our universal service mission, including providing the nation with six days of mail and seven days of package delivery.

The following set of transformational goals and key initiatives provide a roadmap to a more efficient, valuable and relevant organization that will meet the evolving needs of the Nation and our customers for years to come.

Provide new products and services and digital experiences

Establish service standards that foster service excellence

Establish a stable and empowered non-career workforce

Advance sustainability goals of reducing carbon footprint

Implement a best-in-class mail and package processing infrastructure

Implement a best-in-class retail and delivery operations network

Apply fair and flexible pricing strategies

Generate enough revenue to cover operating costs and make necessary investments

Optimize surface and air transportation networks

Design and execute a fully aligned organizational structure

Seek judicious and appropriate legislative and administrative action

Embrace our role as a critical part of our Governments infrastructure

Logistics and Processing Operations Path to the Future

Recalibrate Operating Plan & Complement

Achieve Operating Precision

Build Engaged, Safe, Winning Culture

Fully Leverage Analytics & Technology

Streamline Processing & Logistics

Modernize Network & Position for Growth

Stabilize

Optimize

Transform

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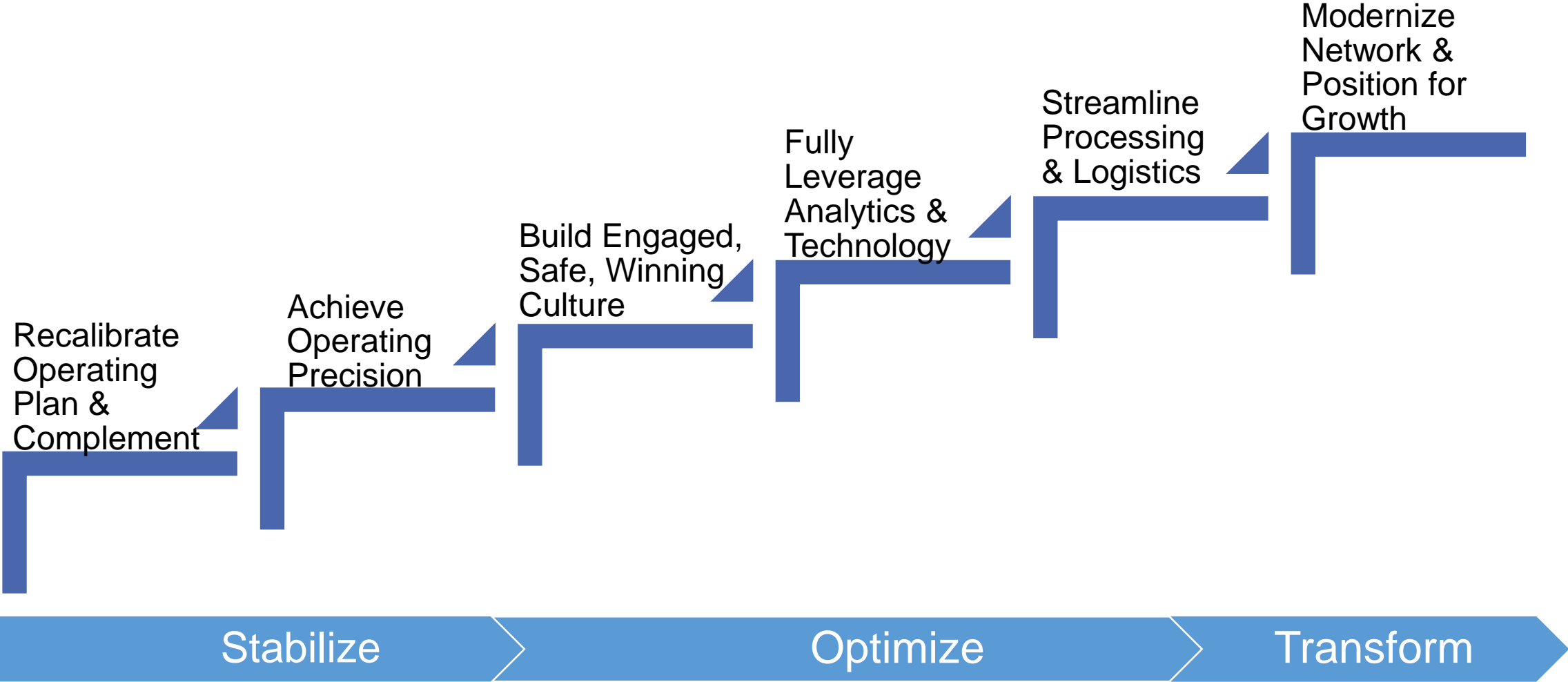
FY22 Peak Season Planning Summary

- **Operational Improvements**
- **Increased Employee Complement**
- **Increased Facility Space**
- **Increased Package Processing Capacity**
- **Reduced Reliance on Air Network**
- **Expanded Surface Transfer Center (STC) Capacity**

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Processing Operations Initiatives

LEGACY OPERATING PLAN

- Standardized on-size fits all
- Rigid constraints
- Sub-optimized mail flow and equipment utilization
- Unachievable Production Planning and Control
- Analytic tools and dashboards ineffective

OPTIMIZED OPERATING PLAN

- Standardized framework — locally optimized
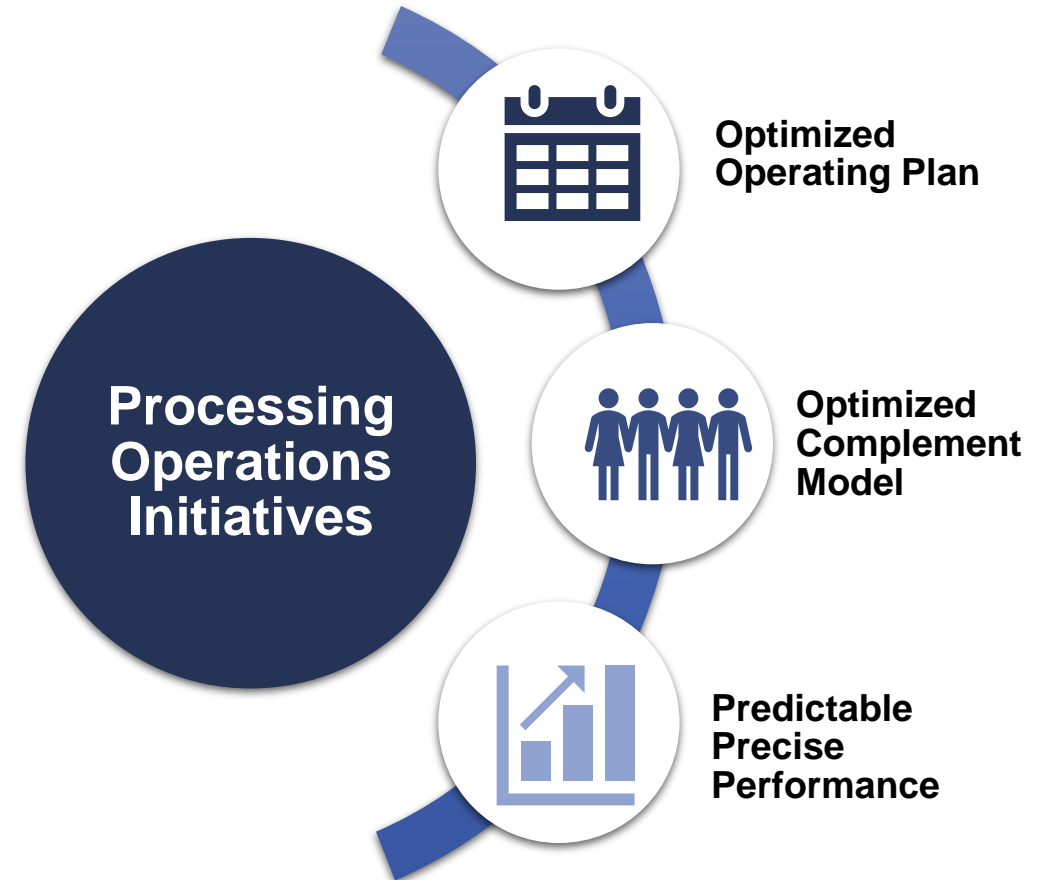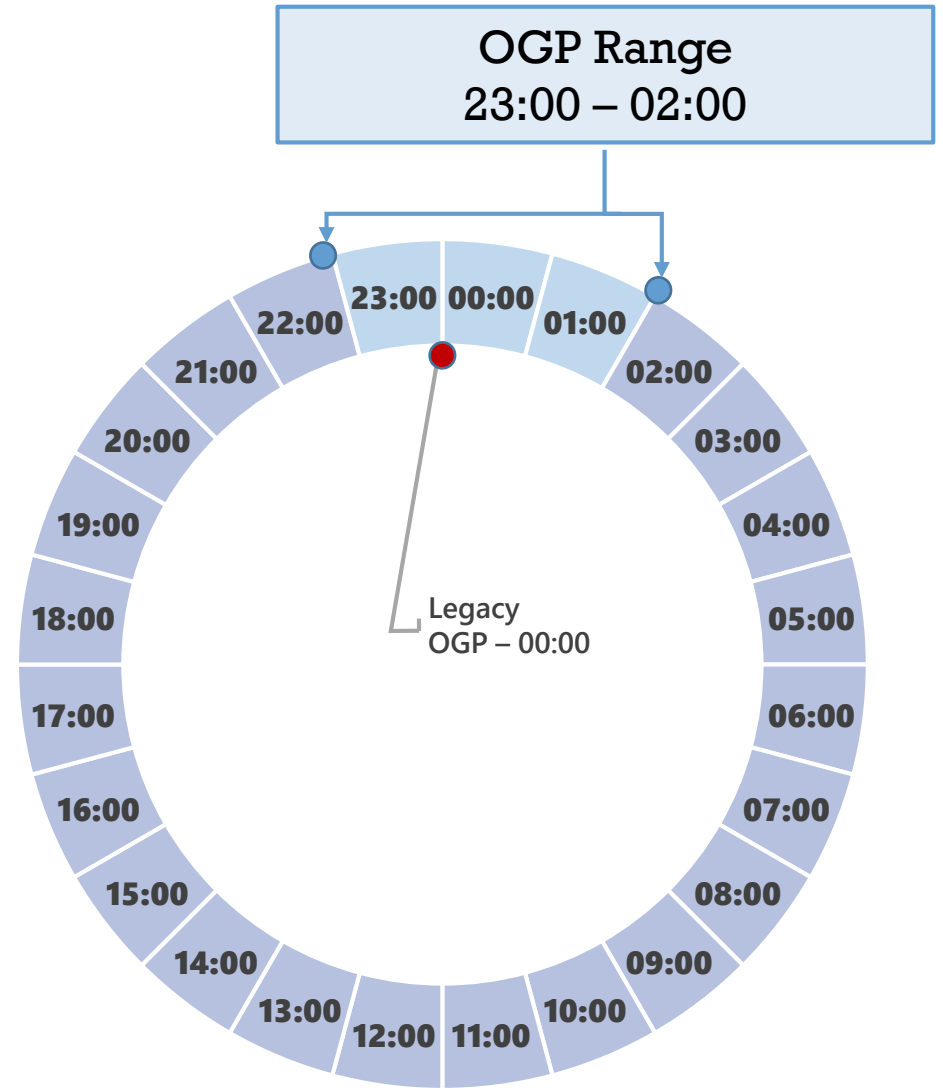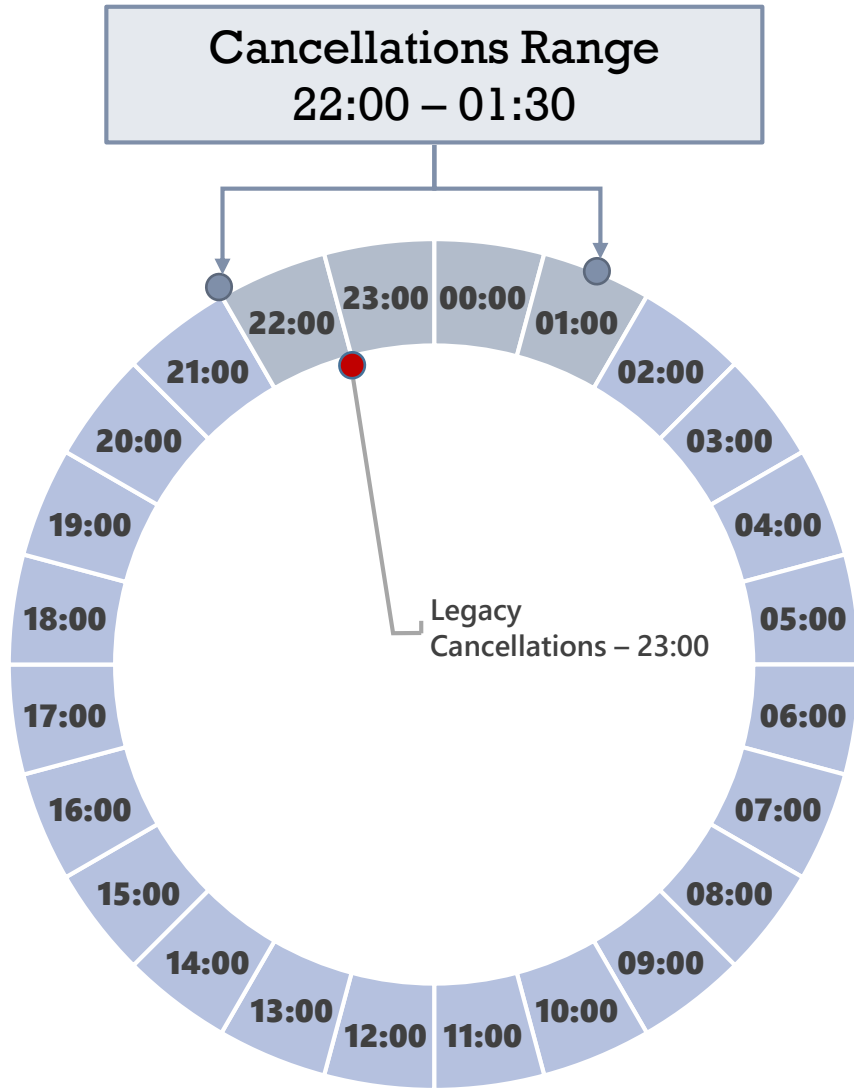- Optimized for variable inputs, machine sets, product mix
- Optimal alignment to Delivery, Network ,and Market requirements
- Fully leverage analytic tools and dashboards
- Efficient, predictable, precise performance

Processing Operations Initiatives

- Optimized Operating Plan
- Optimized Complement Model
- Predictable Precise Performance

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Site Specific Operating Plan Clearance Time Shifts

Cancellations Range
22:00 – 01:30

22:00
23:00
00:00
01:00
21:00
02:00
20:00
03:00
19:00
04:00
18:00
05:00
17:00
06:00
16:00
07:00
15:00
08:00
14:00
09:00
13:00
10:00
12:00
11:00

Legacy
Cancellations – 23:00

OGP Range
23:00 – 02:00

22:00
23:00
00:00
01:00
21:00
02:00
20:00
03:00
19:00
04:00
18:00
05:00
17:00
06:00
16:00
07:00
15:00
08:00
14:00
09:00
13:00
10:00
12:00
11:00

Legacy
OGP – 00:00

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Site Specific Operating Plan Clearance Time Shifts

Legacy Committed MMP – 15:00

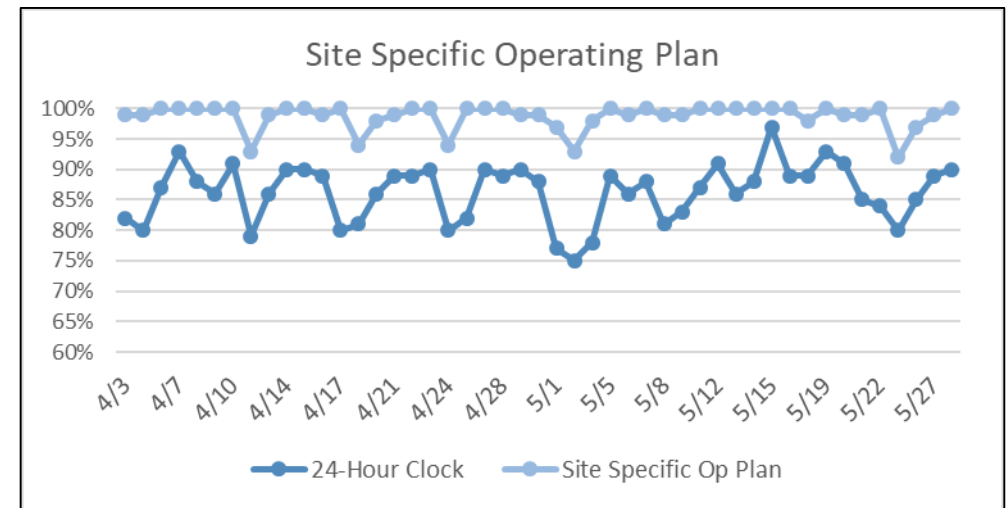Committed MMP Range
12:30 – 17:30
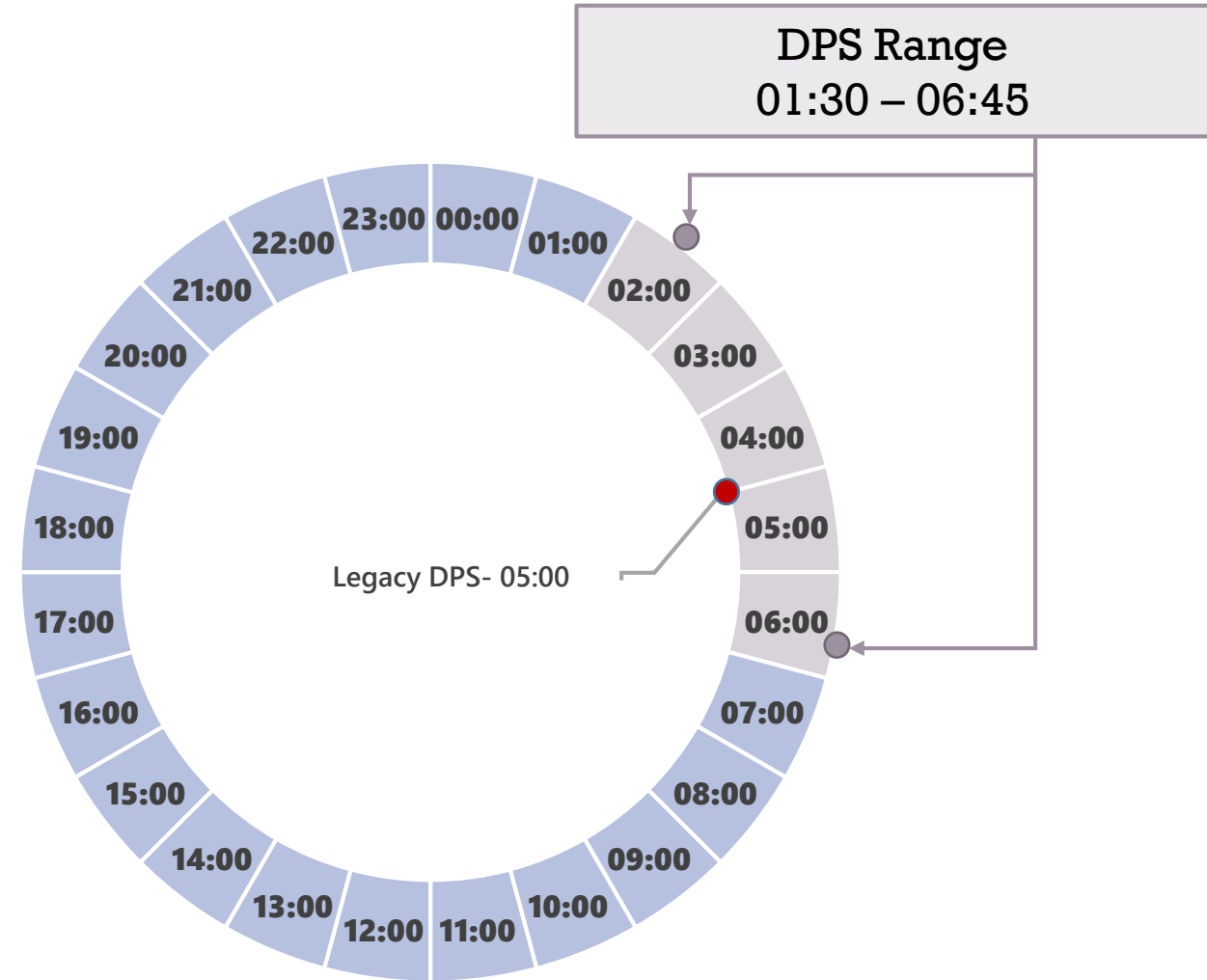
DPS Range
01:30 – 06:45

Legacy DPS- 05:00

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Operating Improvements: Predictable Precise Performance
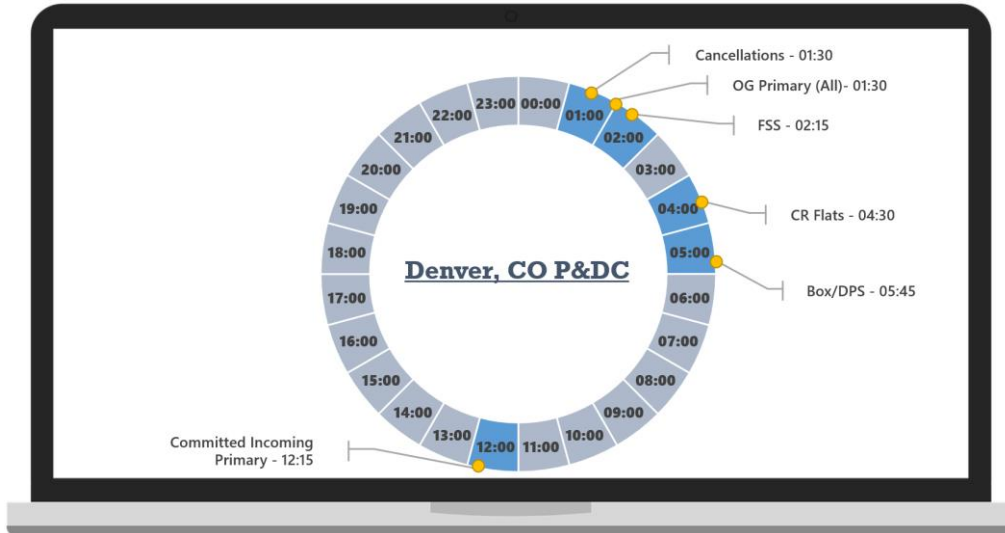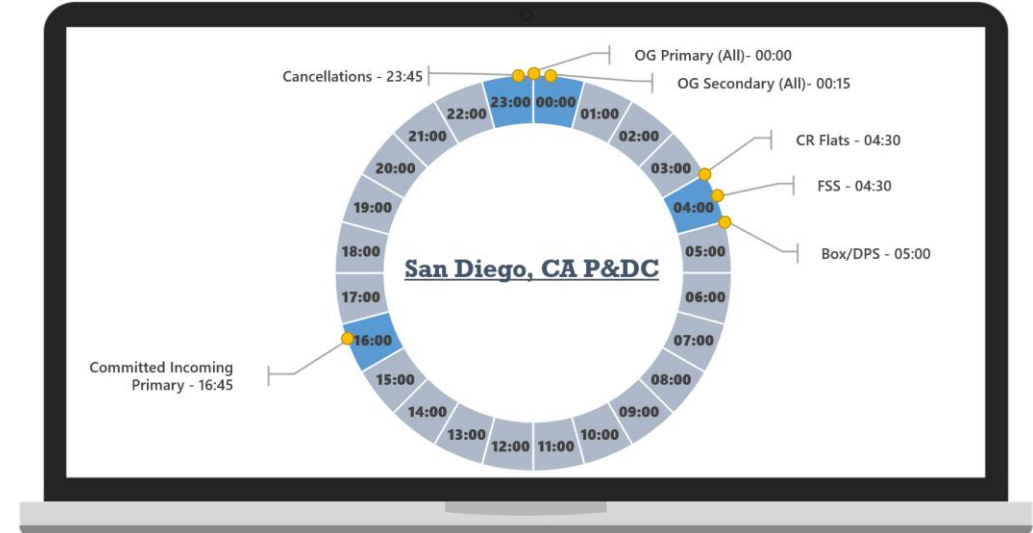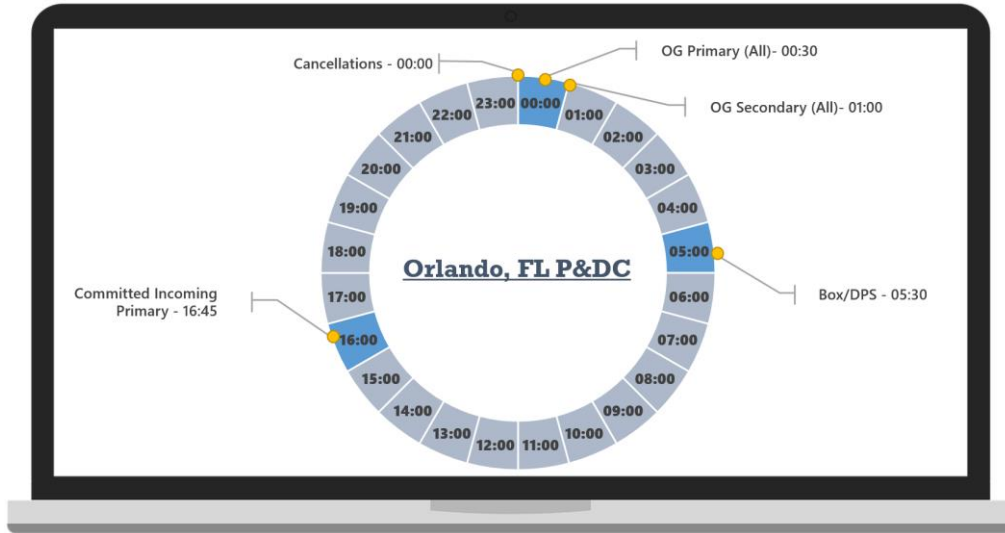
Investing in Employee Complement

- 13,000 additional conversions processing and logistics employees from pre-career to career
    - Bringing total to over 25,000 total converted since January 2021
- Hiring to full authorized complement to be ready for peak
- Expanded pre-career exception period – seasonal hires can begin in October
- Renewed focus on retention of current and new employees

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Peak Annex and Package Support Annex (PSA) Updates

- **PSA – 7.0M sq ft to be added**
  - 46 PSAs – 2 years or more lease
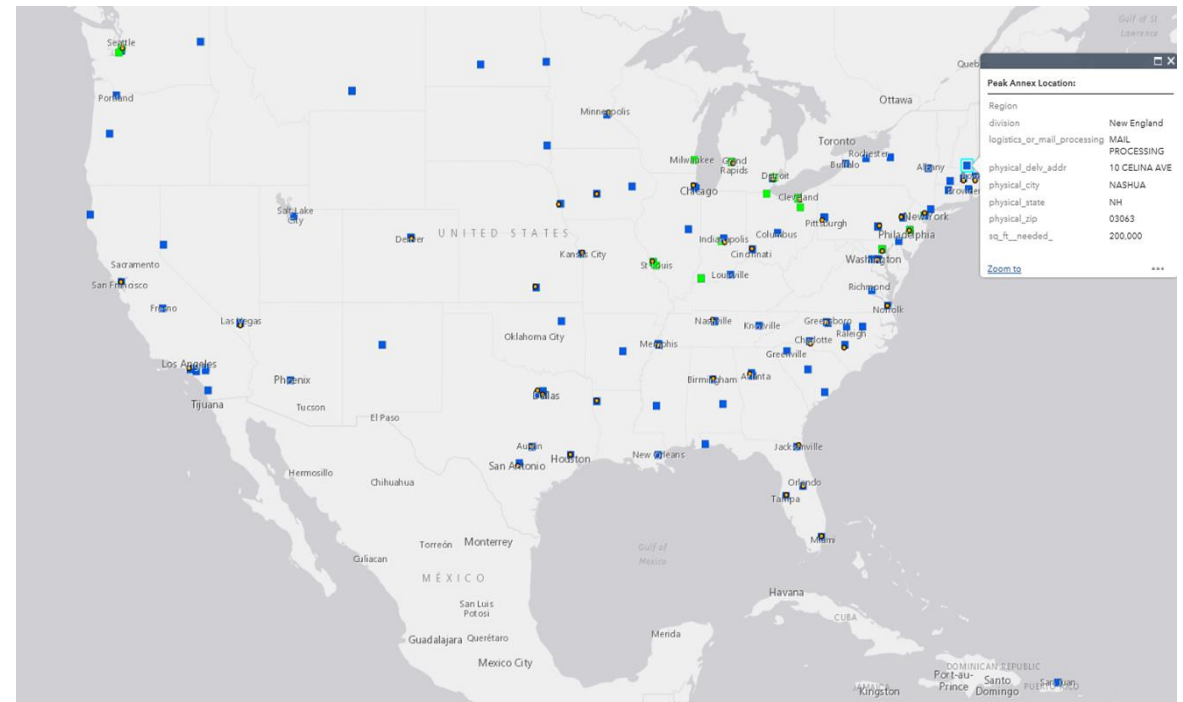 - Reducing impact form space issue from the previous year
  - Operational throughout the year
  - Focus on package operations

- **Peak Annex - 6.8M sq ft to be added**
  - 51 Mail Processing
  - 9 Mail Processing and logistics
  - 5 Logistics

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Package Sorter Deployment

- **Package Sorter Deployments – 4.5M Daily Capacity Increase**
- **ADUS** (Automated Delivery Unit Sorter) – 25
- **SPSS** (Small Parcel Sorter System) – 13
- **SIPS** (Single Induction Package Sorter) – 51
  - 43 machines at PSAs (Package Support Annexes)
  - 7 machines at current facilities
- **FRS** (Flex Rover Sorter)
  - 605 units
    - 20-30 PSAs
    - Process machinable and non-machinable packages
- **PSS** (Plant Scanning System)

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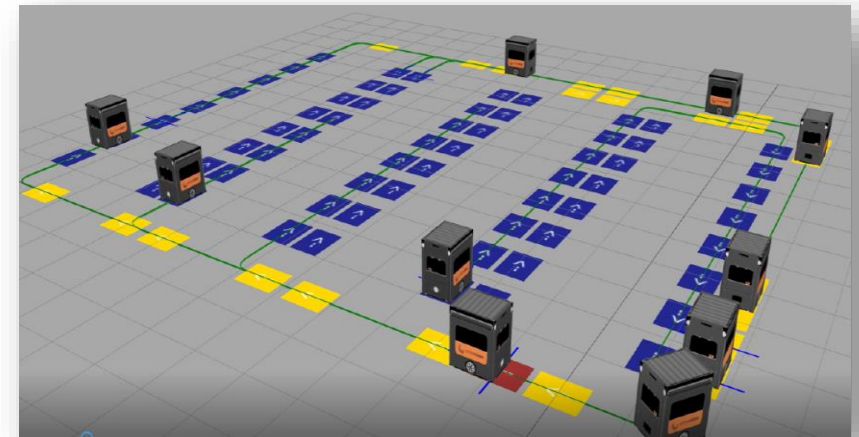
Logistics Initiatives

CURRENT NETWORK

Late dispatch due to misalignment with Processing Operations

Redundant surface network and trips

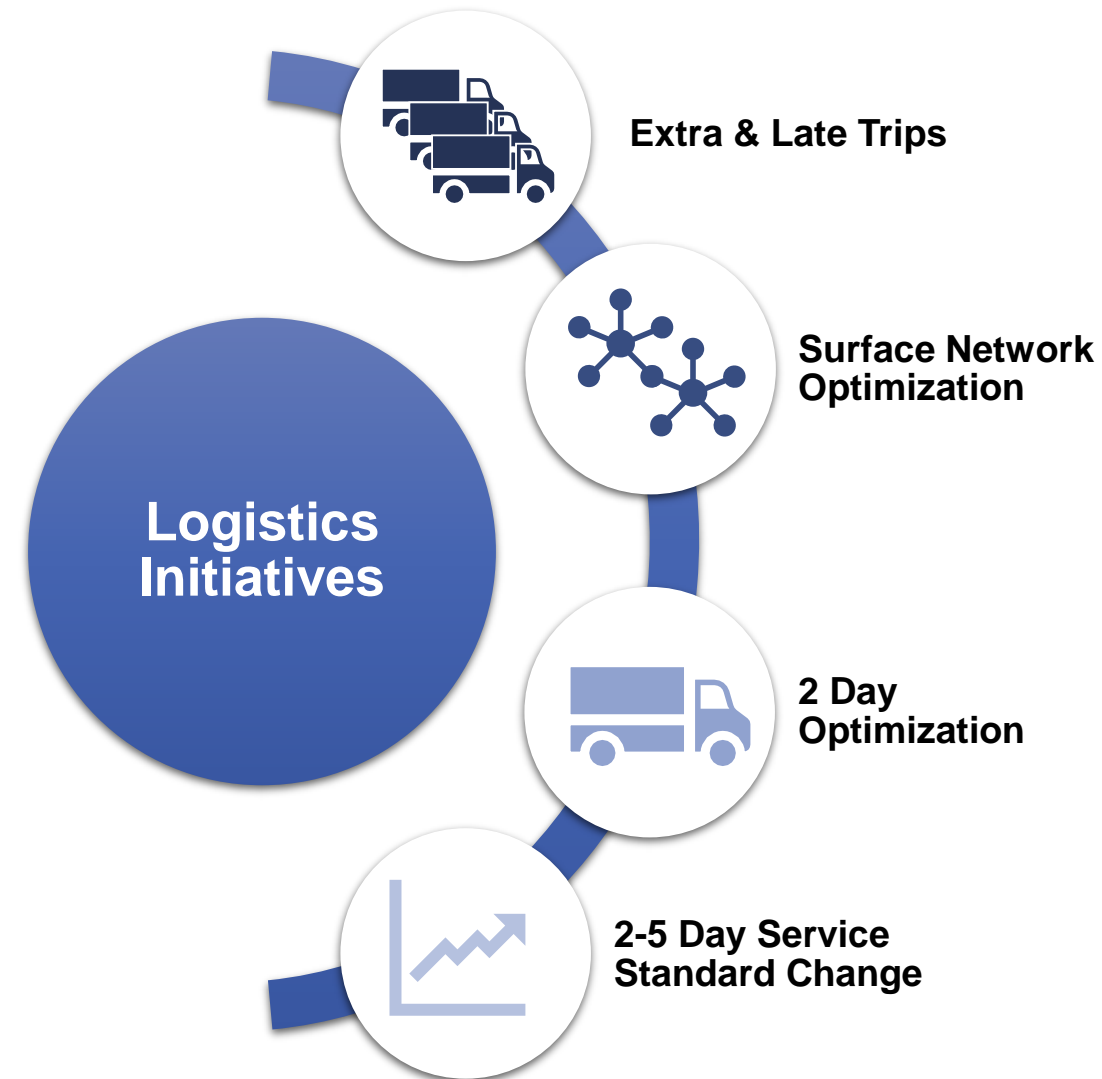Under-utilized surface trips

Over-burdened air network

FUTURE NETWORK

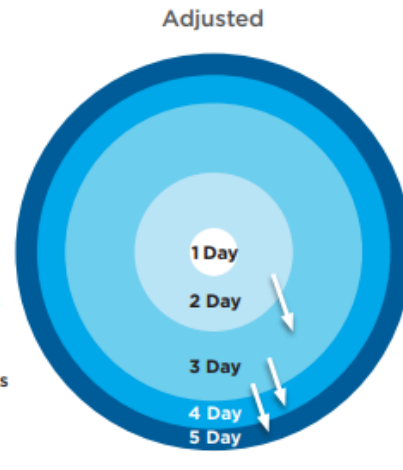Timely dispatch and alignment with Processing Operations

Consolidated surface network

Surface trips fully utilized

Reduced reliance on air network

Logistics Initiatives

Extra & Late Trips

Surface Network Optimization

2 Day Optimization

2-5 Day Service Standard Change

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Service Excellence and Reliability
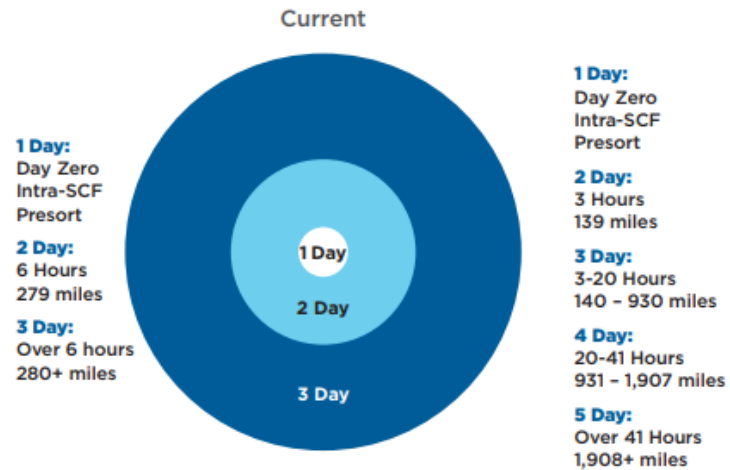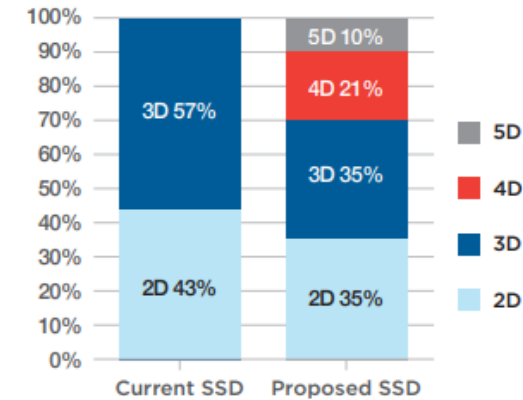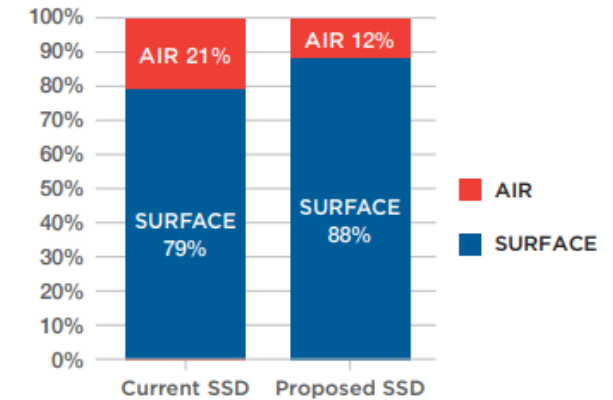
Reliable and Dependable ➡ **95% on-time**

- Enables a more cost efficient and reliable Transportation Network
- Establishes a National First Class Ground Network
- Enables NDC Transformation
    - Streamlines Letter and Flat Processing
    - Expands Package Processing Capability and Reach

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Simplifying How We Transport

11 Steps Required for Current Middle Mile

First Mile → Surface Transport → Originating Mail Plant → Terminal handling (Tender Mail to Carrier) → Plane → Hub → Plane → Terminal handling (Tender Mail to Terminal Handling) → Surface Transport → Destinating Mail Plant

Only 5 Steps for Future Middle Mile

Originating Mail Plant → Surface Transport → Surface Transportation Center (STC) → Surface Transport → Destinating Mail Plant

First Mile: Collection → Local Post Office

Last Mile: Destination Delivery Unit → Delivered to address

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Simplifying How We Process

NDCs will convert to RDCs with a focus on parcels, and parcel capacity will be expanded with additional facilities and equipment

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Simplifying How We Process Letters and Flats
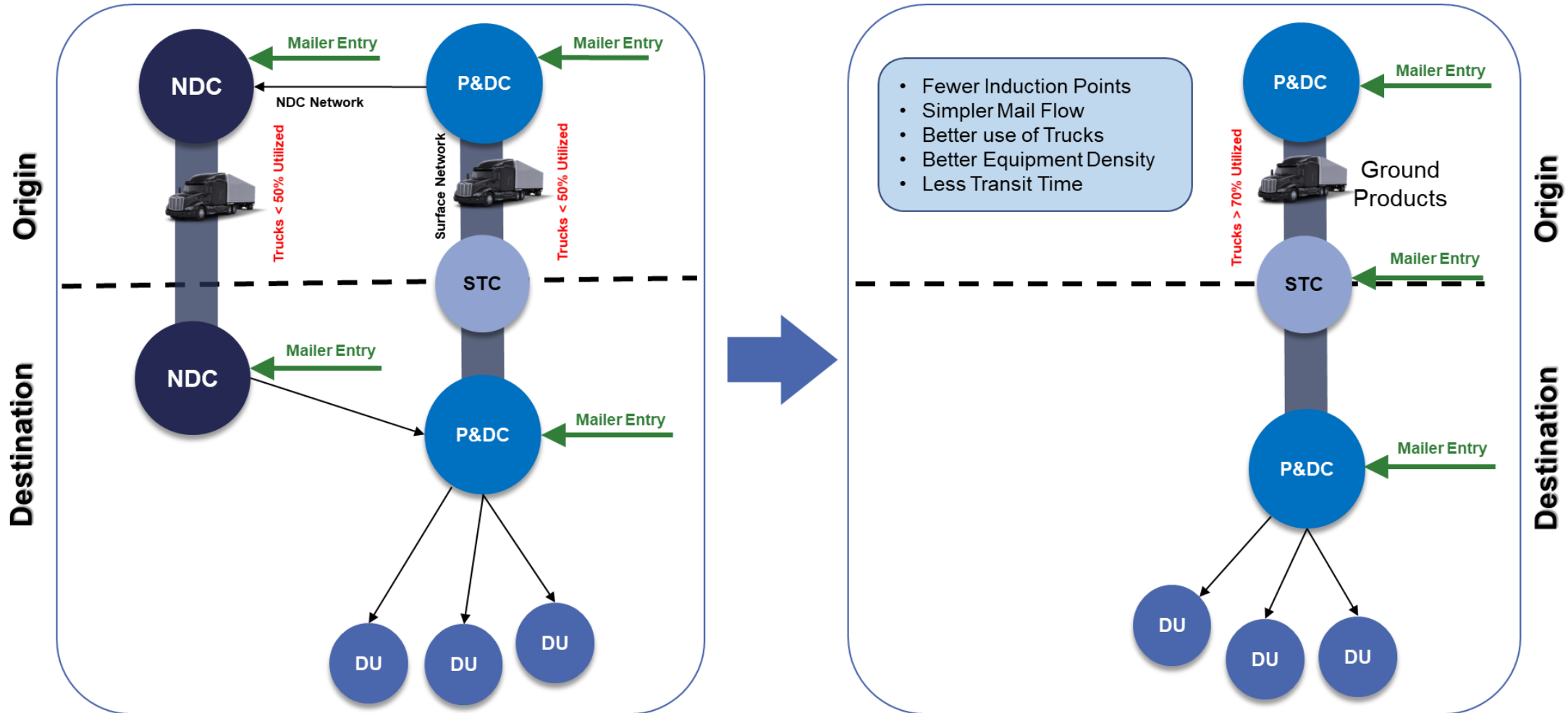
Network Transformation

NDC
STC

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Service Standard Change

NDC
STC
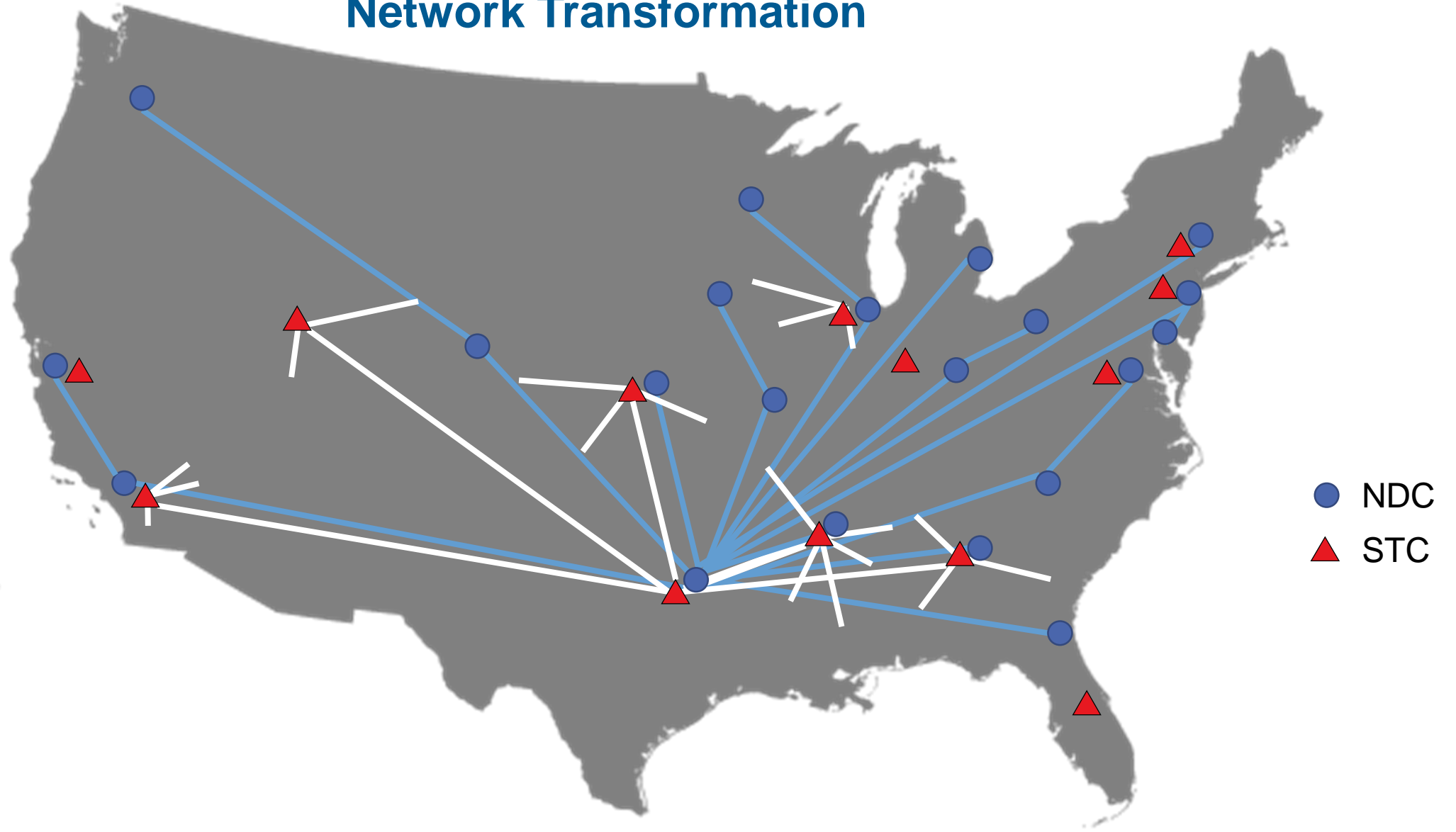
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RDC Implementation

RDC

6/29/2021

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%Load Trend

%Load (Network HCR)

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
2020	38.4%	38.3%	38.2%	39.1%	37.7%	37.4%	39.3%	40.2%	40.6%	39.9%	40.5%	40.3%
2021	41.5%	41.6%	40.6%	39.7%	39.8%	41.5%	42.1%	43.4%	45.6%			
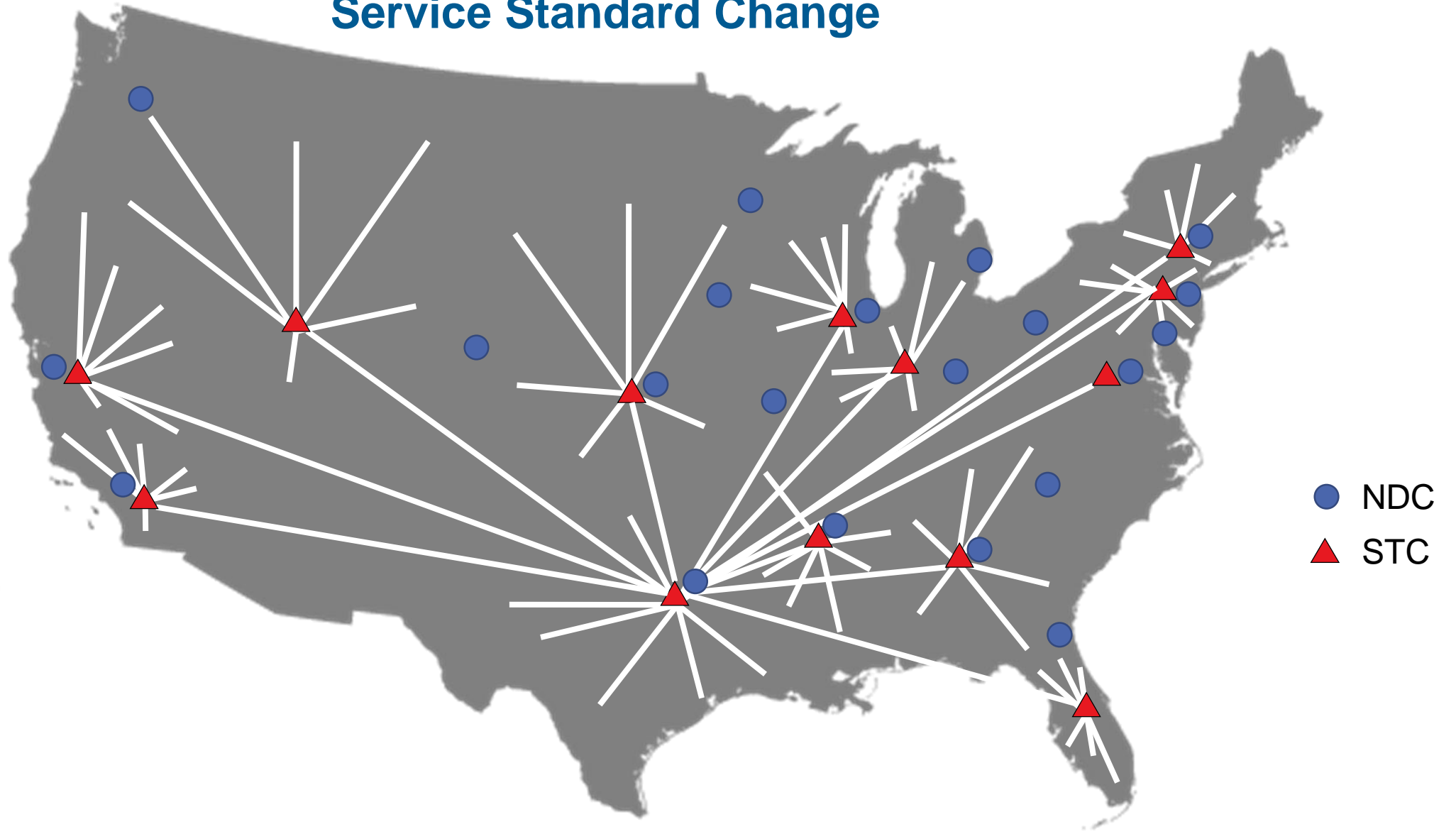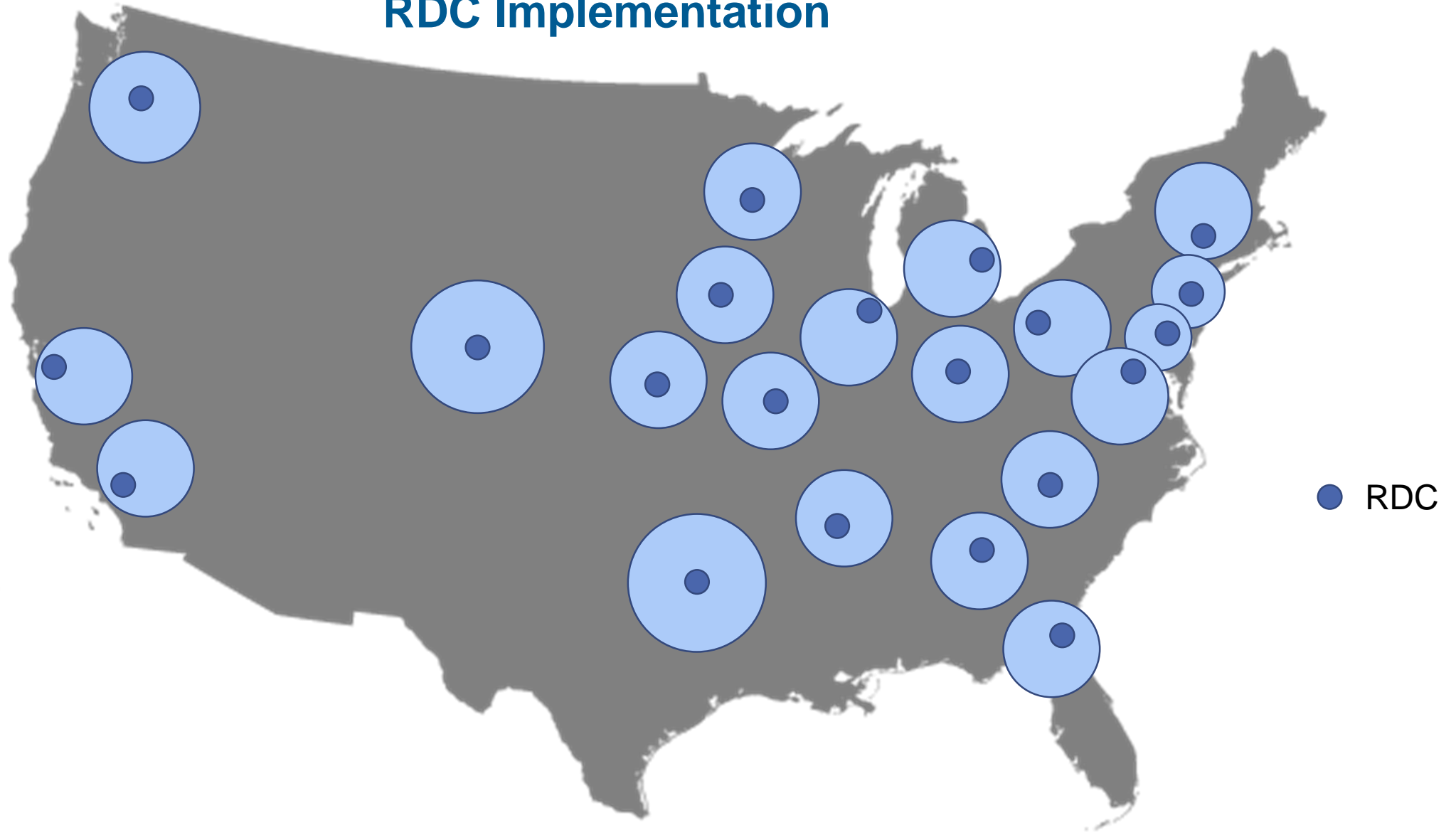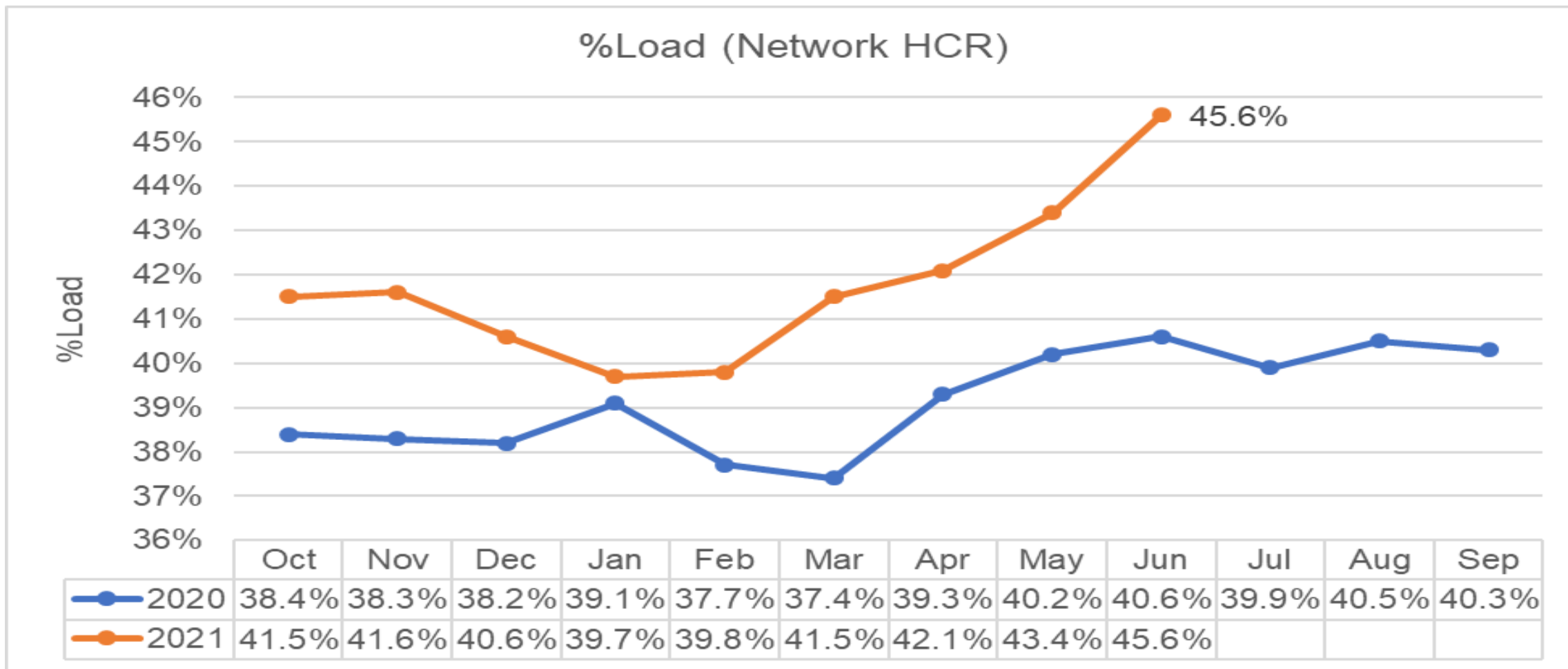
* Data Source: Informed Visibility Surface Transportation Dashboards
* Includes On-Time and Late Trips

6/29/2021

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Surface Transfer Centers (STCs)

6/29/2021

Logistics and Processing Operations Vision and Strategy

Focused Organization

- Processing and Logistics Excellence
- Effective Planning and Execution
- Enhanced Line-of-Sight
- Improved Performance and Results

Precise and Efficient Operations

- Engaged Employees with a Safe and Winning Culture
- Recalibrated Operating Plan
- Right-sized Complement
- Fully Leveraged Technology and Analytics

Network Modernization

- Streamlined Processing and Logistics
- Redesigned Package Network
- Highly Efficient and Reliable with Extended Reach
- Positioned for Growth