

Peak Overview

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MTAC: Preparations for Peak Season

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Understanding 2020 Challenges

Last year's peak season demonstrated the need for change

- Changing consumer demand, accelerated by the pandemic, yielded historic package volumes
- Those volumes overwhelmed our network, a network that was originally built for high volumes of letters and flats, and one that has been underinvested in across the last decade

The result was a severely overcapacity Postal system with inadequate levels of resources - space, people, and equipment

Our Challenges: Processing Capabilities

Last year, our misaligned processing network could not adapt to an unprecedented demand for packages:



Unprecedented volumes:

- Network **package volume increased by 40%** last peak season. Network volume significantly impacts our processing facilities and transportation network as it requires sortation at multiple processing centers and long-haul transportation from origin to destination
- **Oversized package volume more than doubled.** Oversized packages require manual sortation, add burden to employee workload, and occupy more space on transportation and in our facilities



Space constraints:

- Plants experienced significant **bottlenecks due to space constraints.**
- Most facilities were originally built for mail sortation and were not designed to handle historic package volumes
- Backups of package volume **contributed to both mail and package delays** as aisles were jammed, docks were overloaded, and the flow of product within our facilities and into / out of our facilities was disrupted

Our Challenges: Processing Capabilities

Last year, our misaligned processing network could not adapt to an unprecedented demand for packages:



Lack of package sortation equipment:

- Mail processing machines were underutilized, falling below 50%, while **package sorters were overloaded**. This was demonstrated nationwide, as **99% of plants missed their package processing deadlines**, leading to delays, logjams at facilities, and added costs
- In many instances, packages were sent to the nearest facility that had processing capacity to accept and sort the volume, which added transportation (to a network already experiencing driver and trailer shortages), variation, cost, and most importantly, time



Workforce challenges:

- 2020 was a difficult time for our employees as the **pandemic swept the nation**
- Workforce challenges including **high turnover rates and low employee availability**, which were exacerbated by the pandemic, impacted peak season service performance

Our Challenges: Network Design

The design of our network – including service standards and actions taken to attempt to achieve those standards – led to added risk, cost, and reliance on third parties



Unattainable Service Standards:

- Select service standards are currently unattainable.
- This results in unrealistic performance goals and customer expectations, and **forces us to rely on an underperforming and overcapacity air network**



Air network reliance:

- With increased parcel shipments and less commercial flights, the air network experienced an **industry-wide shortage of cargo capacity** due to COVID-19.
- We were dependent on this overloaded and volatile air network that remains out of our purview; we rely on third party carriers for air transportation since we did not (and do not) own our own planes. **Contracted air carrier on time performance fell to 58%** in December 2020

Year of Preparations

The Postal Service began planning for this holiday season earlier than any other year:

- ✓ Improving and stabilizing service performance prior to peak season
- ✓ Setting realistic service standards
- ✓ Ensuring reliable transportation options
- ✓ Expanding facility footprint
- ✓ Procuring additional package sortation equipment
- ✓ Stabilizing our workforce
- ✓ Hiring additional employees for peak season
- ✓ Weekly cross-functional peak preparedness meetings
- ✓ Local visits by the PMG and CLPO to Processing and Delivery sites across the nation
- ✓ Strategy sessions with Delivery Operations executives and PCES Postmasters



Retail and Delivery Peak Readiness

As we plan for a peak like no other, our focus has been in four main areas to ensure a flawless execution of our operational plays.

- People
- Product
- Process
- Technology



Retail and Delivery Peak Annexes

| FY22 PEAK | |
|---|------------|
| | Facilities |
| Total Requested | 20 |
| No Sites Available | 6 |
| Total Active Sites | 14 |
| | |
| Sites Approved | 3 |
| Survey Rejected - Awaiting Revised Survey | 2 |
| District Reviewing Potential Options | 1 |
| Locals Touring | 4 |
| Toured - Awaiting Forms | 3 |
| Pending Site Tour | 1 |
| Leases Completed | 0 |
| TOTAL | 14 |



Setting realistic service standards

Fostering reliable service performance



Redesigning and rebalancing service standards is an effective and enduring way to improve reliability and predictability for business customers and consumers.

Since March, we have:



Changed service standard for **First-Class Mail and Periodicals**



Proposed service standard changes for **First-Class Package Service**



Changed **Priority Mail Express** to an end-of-day delivery service on May 23

Improving and stabilizing service performance

Since the second quarter, we have seen service performance steadily improve across all mail categories. These service improvements have been, in part, the result of strategic diversification of volume traveling across the air network among additional air carriers and more reliable surface transportation providers, as well as new service standards that went into effect Oct. 1.

FIRST-QUARTER SERVICE PERFORMANCE FOR October 1 THROUGH October 15 INCLUDED:

First-Class Mail

91.2%

Delivered 91.2 percent of First-Class Mail on time against the USPS service standard, an **improvement of 3.2 percentage points** from the fourth quarter.

Marketing Mail

92.2%

Delivered 92.8 percent of Marketing Mail on time against the USPS service standard, a slight decrease of 0.3 percentage points from the fourth quarter.

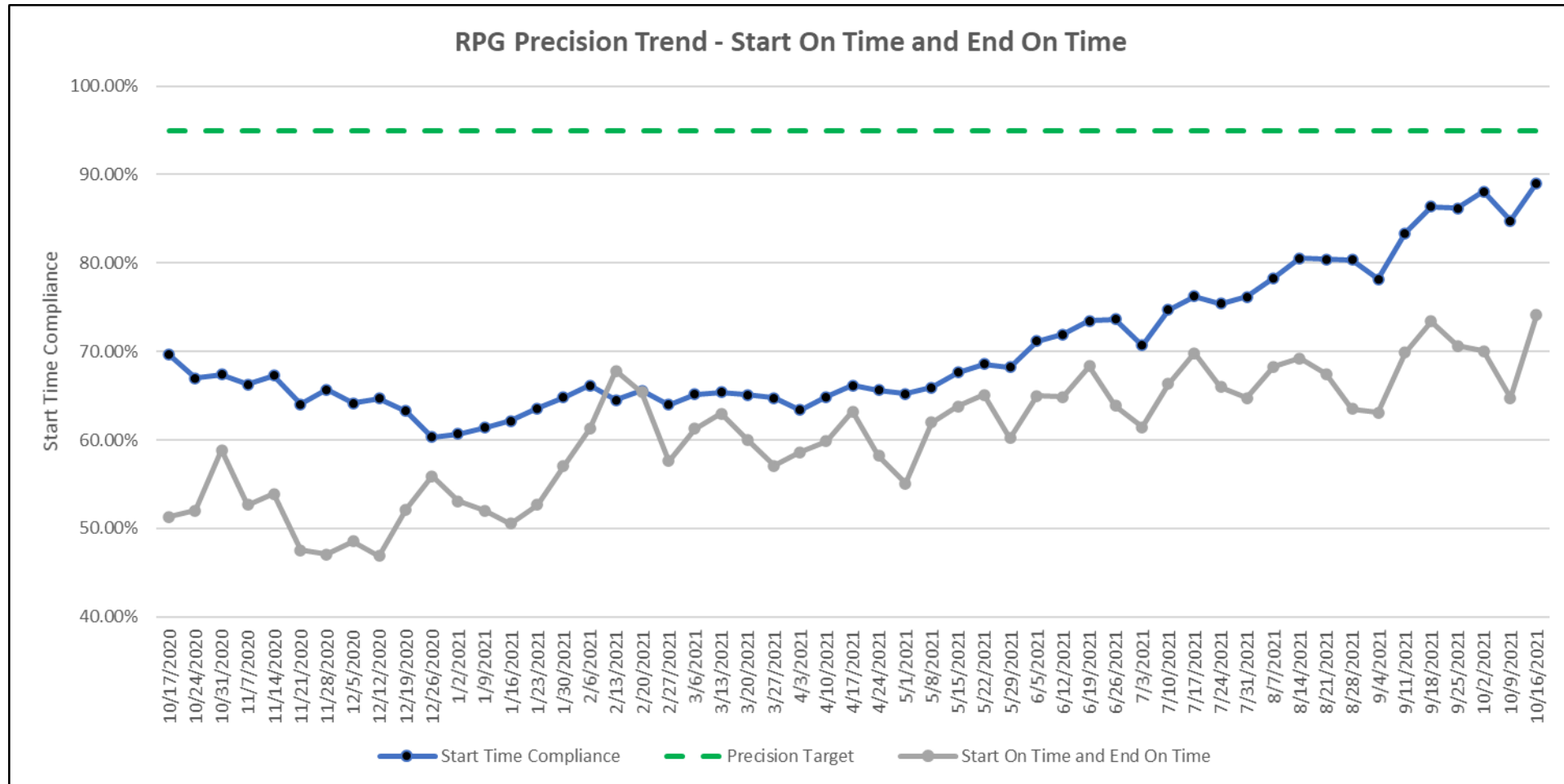
Periodicals

84.3%

Delivered 84.4 percent of Periodicals on time against the USPS service standard, an **improvement of 2.2 percentage points** from the fourth quarter

Operational Precision

RPG: Run Plan Generator



Source: WebEOR

Ensuring reliable transportation options



Air network

- ✓ Transitioning volume from air to surface transportation (where service responsive)
 - ✓ The ground network has historically outperformed the air network
 - ✓ Average long-haul transportation runs approximately 40% full, so there is capacity to absorb the volume on existing surface transportation
- ✓ Continuing to reduce reliance on overcapacity and unreliable air carriers through the expansion of our commercial airline contractor base



Ground network

- ✓ Expanded the Surface Transfer Center (STC) network to
 - ✓ Increase space and capacity
 - ✓ Reduce cycle times
 - ✓ Mitigate driver shortage issues
 - ✓ Increase ground transportation utilization
- ✓ Plans to adjust rates (\$/mile) where applicable to secure capacity
- ✓ Expanding transportation management system functionality and freight auction capability
- ✓ Leased over 2,700 trailers dedicated for peak season
- ✓ Working to acquire 12 parking lots to stage 355 trailers to prevent trailer parking in residential areas
- ✓ Adding cameras to the dock & yard to monitor conditions in real time

Expanding Surface Transfer Center Capacity

Deploy new Surface Transfer Centers, which will resolve bottlenecks, improve utilization, reduce the number of trips and **improve the flow of mail and packages** across the surface network

1.6 million sq. ft. additional space

deployed in **6** new separate facilities adding

315 additional dock doors improving cycle time in and out of STCs

600k sq. ft. of additional space and **207**

dock doors gained in **6** previously co-located processing facilities where we experienced major backlogs and delays



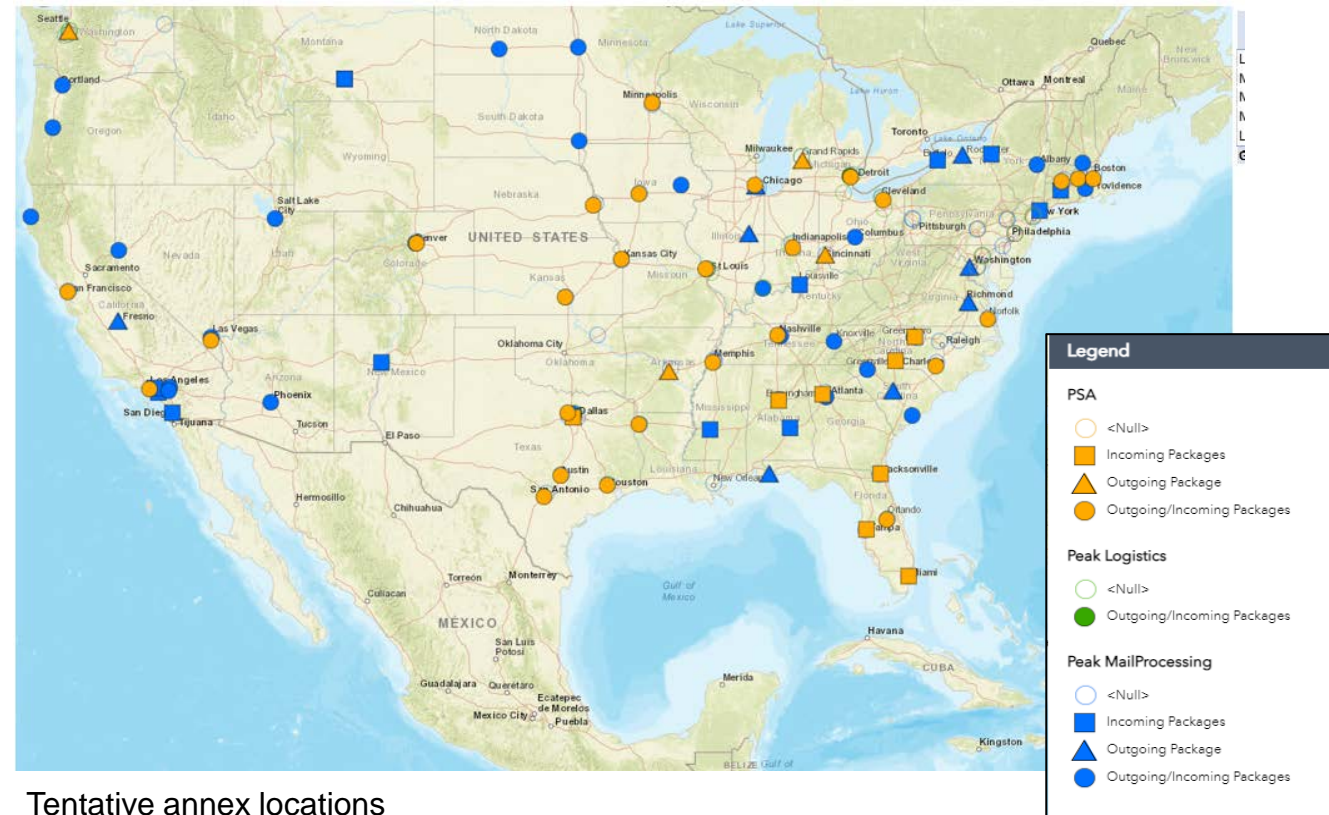
Expanding Facility Footprint

Leasing annexes to create more space, which will resolve bottlenecks and **improve the flow of mail and packages** into and out of our facilities, and within our facilities

7.5 million sq. ft. of additional space has been leased across **40+** multiyear annexes where we are experiencing year-round space constraints due to parcel growth

Working to acquire an additional

4+ million sq. ft of **processing and logistics space** where our operations require additional space during peak season



Tentative annex locations

Deploying a best-in-class package processing equipment



Since last peak season, we have made great strides in improving our package processing capabilities.

112

Package Sorters procured to expedite the handling and sortation of increasing package volumes.

80

Sorters have been installed to date (of the 112 sorters) including 23 package sorters deployed at delivery units.

30+

Additional package systems capable of sorting large packages expected to be deployed prior to December

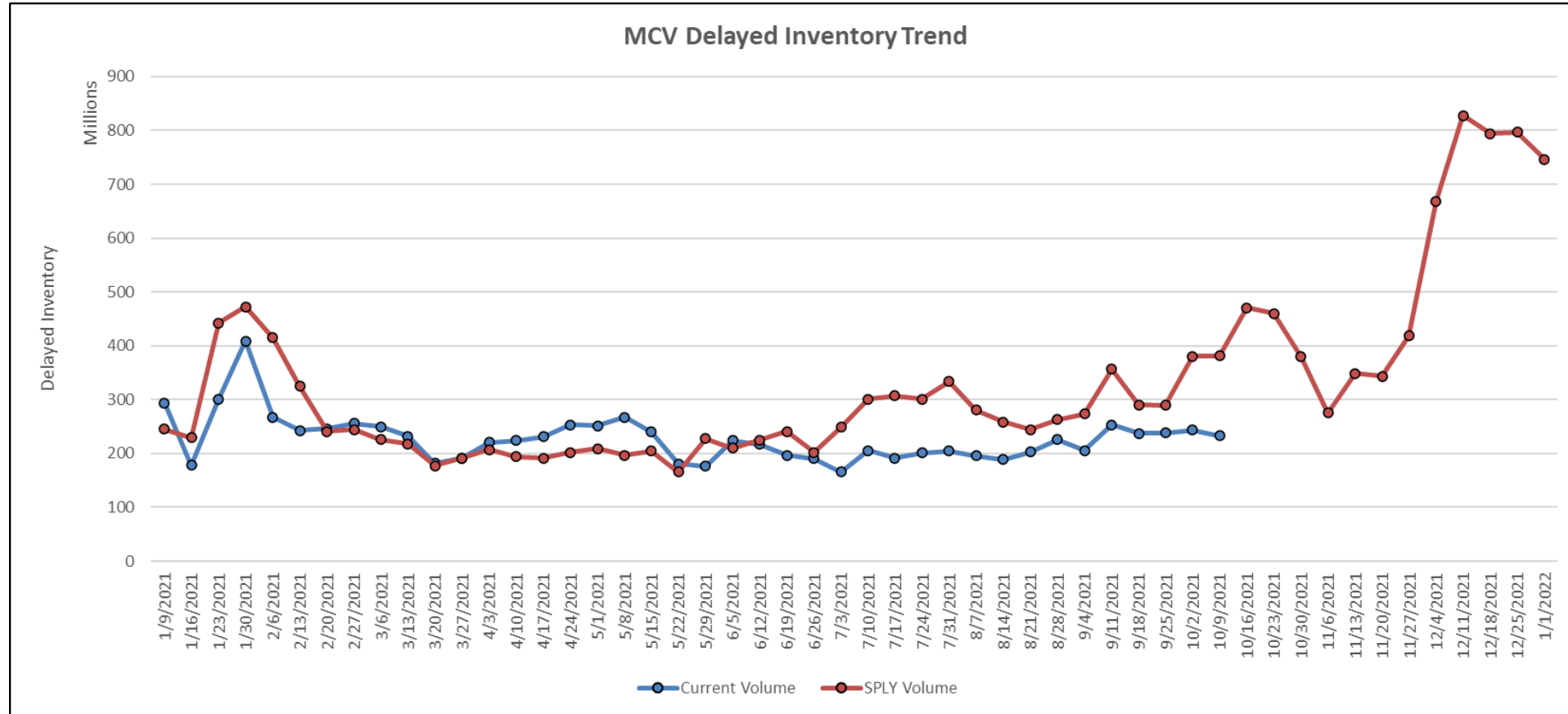
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4.5M

Additional packages we can sort each day utilizing newly deployed package sortation equipment

Improved Facility Conditions

MCV: Mail Condition Visualization



Source: MCV – Delayed Volume – QLIK

Stabilizing and Expanding our Workforce

Two main focuses of the year have been stabilizing our workforce through improved retention and non-career to career conversions as well as amplifying our hiring efforts to fill every available position and ensure an adequate employee base for peak season

33,000 current non-career employees will be converted to career status by peak season.

40,000 – the number of seasonal employees we plan to hire for peak season. Seasonal employees will begin work earlier than last year, allowing more time, training, and experience on the job prior to volume increases.

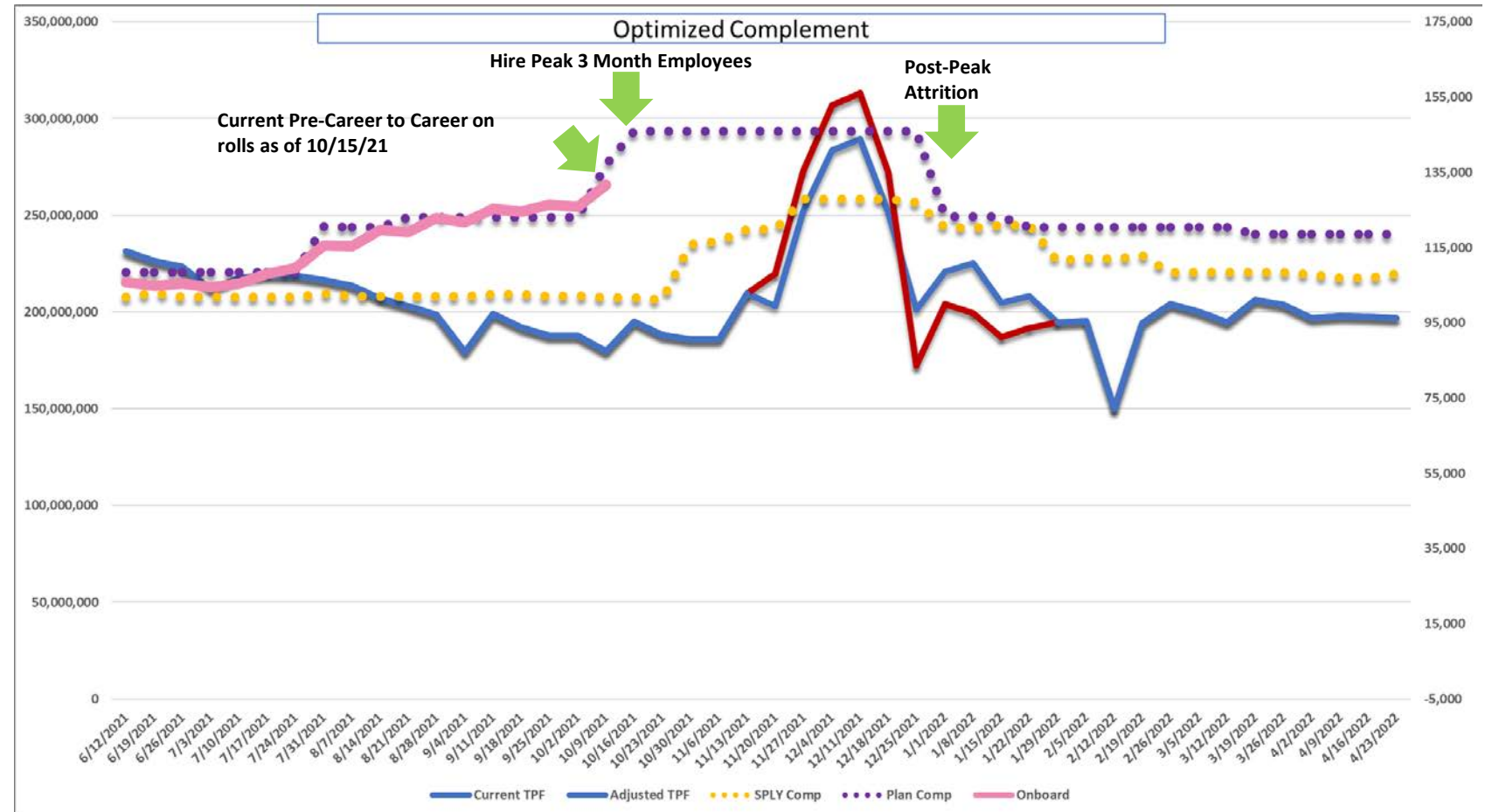
Reducing Workload – reducing the number of employees working over 50 hours per week and more than 7 days in a row. Encouraging employee leave prior to peak season.



Staffing Plans: Processing Operations

Complement strategies for FY22 Peak

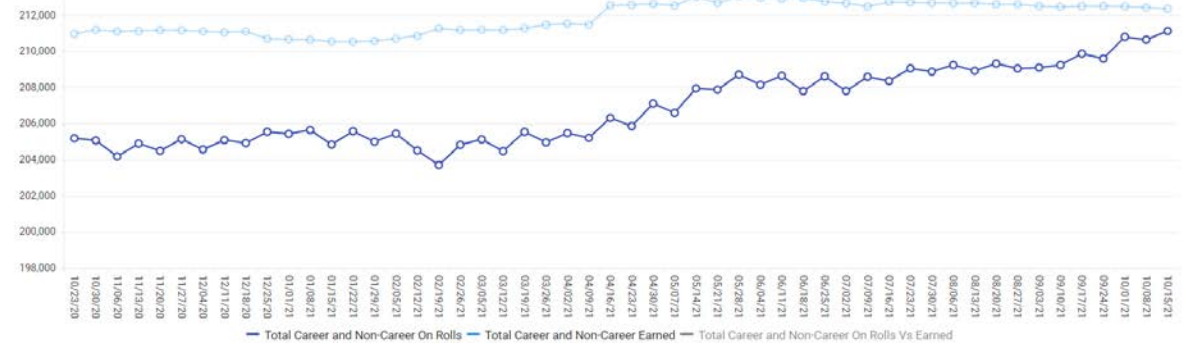
- Conversion MOUs signed with Unions June 21, 2021
- Based on MOUs, USPS added 13,584 career employees-
 - 6,988 Clerks and 6,596 Mail Handler career employees
 - Conversions to start the week of July 16
 - Pre-career employees hired to backfill conversions (13,584) and increase Pre-career CAP (3,031) for a total of 16,615
- USPS is adding 30,053 additional Function 1 Peak employees to supplement increased package operation needs. These started on-boarding 10/9/21.



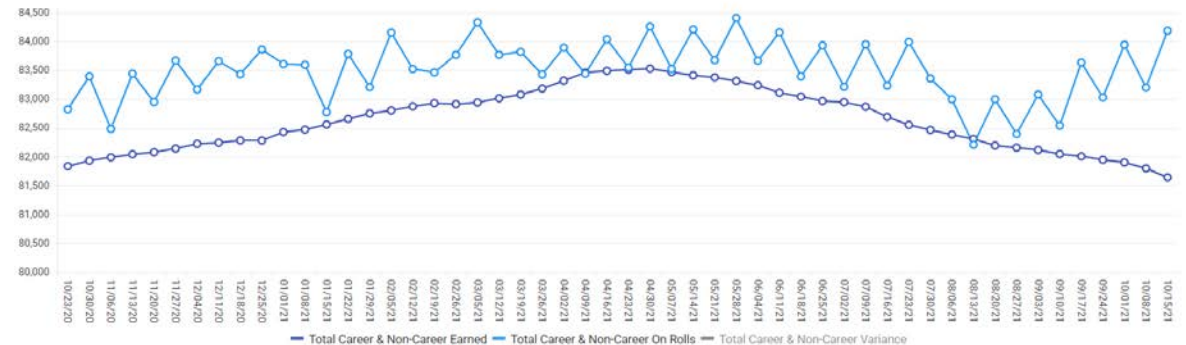
Retail and Delivery Peak Staffing

- Hiring 5K City Carriers
- Hiring 10K Distribution Clerks
- Close the Gap to Cap prior to peak holiday hiring
- Employee Availability

City Carrier Complement Trend



Distribution Clerk Complement Trend



Preparing for a successful peak season



PEOPLE

To foster an environment where employees are elevated and positioned as the engine of the organization.



PERFORMANCE

To facilitate an environment of efficiency, precision, effectiveness and strategic operation.



CULTURE

To create an environment that builds trust and confidence of our employees.

Preparing for a successful 2021 peak season

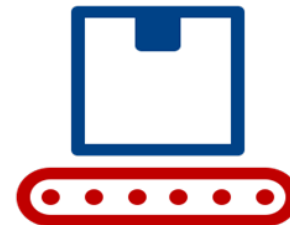
We began planning for this upcoming holiday season earlier than any other year. We have accelerated key processing, logistics, and delivery investments to meet customers' evolving mail and package needs. Our proactive measures not only correspond to challenges faced last year but also align to our Delivering for America plan. The organization is executing on strategies to pull together **people**, **technology**, **transportation**, **equipment**, and **facilities** into a well-integrated and streamlined mail and package network. Our preparations include:



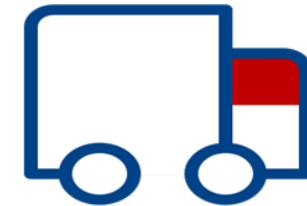
Stabilizing the workforce through improved retention and non-career to career conversions and amplifying our hiring efforts to fill every available position and ensure an adequate employee base for peak season.



Expanding our facility footprint by leasing millions of additional square feet in facility annexes to create more space for package processing and prevent bottlenecks.



Procuring additional package sorting equipment to accommodate and expedite the handling and sortation of increased package volumes.



Ensuring reliable transportation options by leasing trailers dedicated for peak season and diversifying the volume traveling across the air network among additional air carriers and more reliable surface transportation providers.

Thank You!