

Greater Portland Postal Customer Councils

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Deputy Postmaster General

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Congratulations!

- **PCC of the Year – Large Market**
- **PCC Postal Member of the Year (Gold) – Shawneen Betha (PCC Postal Co-Chair)**
- **District Manager of the Year (Silver) – Kim Anderson**
- **Education Excellence (Gold)**
- **Communications Excellence (Silver)**

- Thank you for your **business**
- And thank you for **participating** in the PCC
 - Value to the PCC membership
 - Great efforts to make the PCC successful
 - Provide expertise, guidance, and feedback to PCC members and to the Postal Service





**Thank you to the hard working and dedicated
Postal Service employees in this area.**

- People, passion, and perseverance



- **Liabilities exceed assets by approximately \$42 billion**
- **The Postal Service has only 35 cents of assets to cover each dollar of its liabilities**

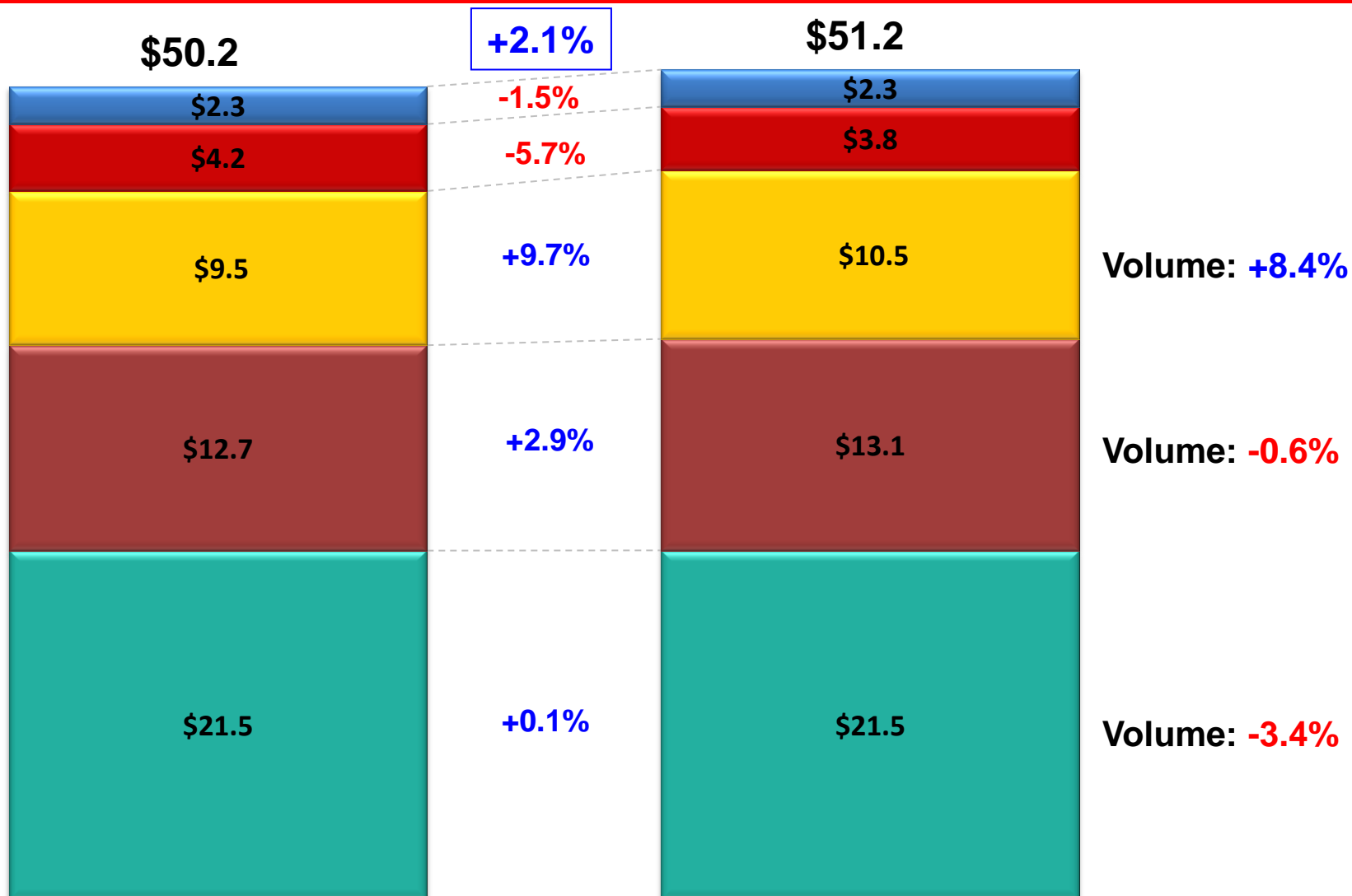
ASSETS		LIABILITIES	
Unrestricted Cash	\$ 3.7B	Retiree Health Benefits	\$19.6B
Buildings & Equipment, net of depreciation	\$16.9B	Workers' Compensation	\$16.9B
Other Assets	<u>\$ 1.7B</u>	Debt	\$15.0B
		Accrued Compensation, benefits, and leave	\$ 3.5B
		Deferred Revenue	\$ 4.0B
		Other	<u>\$ 5.4B</u>
Total Assets	\$22.3B	Total Liabilities	\$64.4B

- Under multi-employer accounting rules, there are approximately \$49B in obligations not shown on the balance sheet.
 - Significant profits over years and legislation are needed to recover.



Total Revenue: FY2014 Q3 YTD vs. SPLY

\$Billions



FY13 Q3 YTD

FY14 Q3 YTD

■ First-Class Mail ■ Standard Mail ■ Total Shipping & Package ■ Other (includes Periodicals) ■ International Mail

Source: RPW/RVC



- **Capitalize on e-commerce market**
- **Customer service focus**
- **Outreach to small business**
- **Value proposition of the mail**
- **Operational efficiencies**



Capitalize on E-Commerce Market

- **7-days a week delivery**
- **Flat rate Priority Mail pricing**
- **Click-N-Ship for Business**
- **Global reach**
- **Coming in September**
 - Lower PM prices for packages 6-20 lbs



- **Improved tracking capabilities on usps.com**
 - Receive a text near-real time with scan information





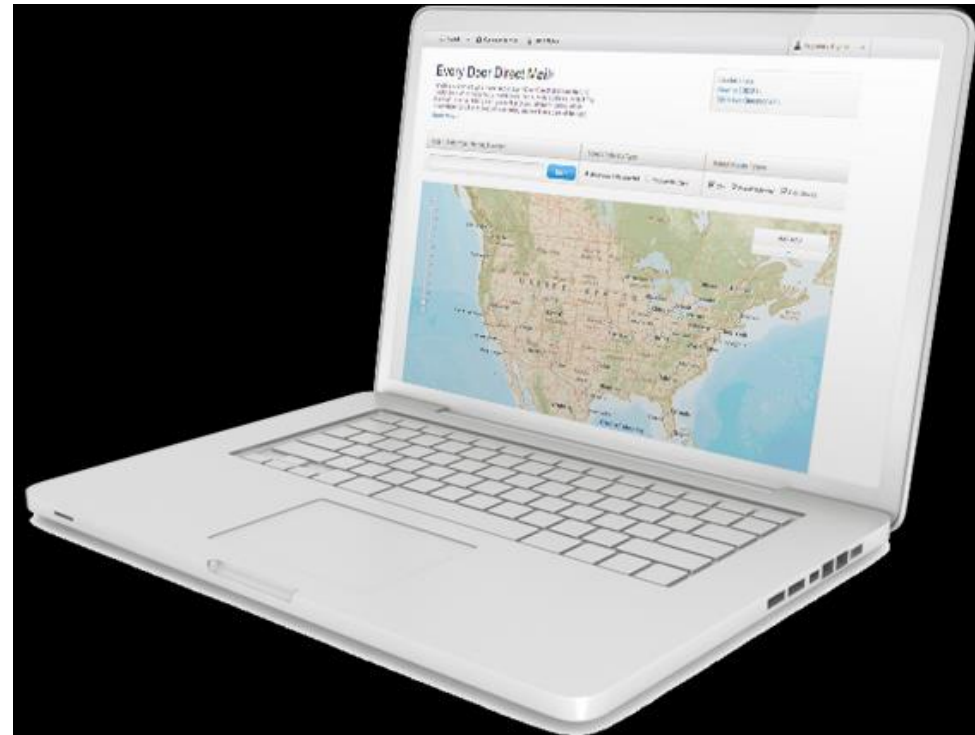
- **Focused Customer Care Center efforts**
 - Four Customer Care Centers
 - Adding chat capabilities
 - Improving IVR
- **Leveraging big data to improve delivery and employee accountability**



Impact on Economy

- Small businesses provide 55% of all jobs and 66% of all net new jobs since the 1970s
- 49% increase in number of small businesses since 1982

- **Every Door Direct Mail**
 - Mapping tool to select a target area
 - Use route demographic data (e.g. household income)
 - Choose mailing drop off date
 - Pay postage online





Value proposition of the mail

Crisis in online ads

- Businesses not getting payback from internet marketing
- Average click-through rate for internet advertising is about 5%
- 36% of all web traffic is considered fake

Households read their direct mail, at higher rate than in 1987

- 55% of households read their direct mail; additional 24% scan it
- 12% say will respond to the direct mail; additional 19% may respond

Survey says: Ship for less, with reliability and tracking

- Postal Service offers the lowest price, faster, and comparable tracking



Keeping costs low

- Consolidated 141 processing facilities and 2,400 delivery units since 2011
- Adjusted hours and staffing of low traffic Post Offices
- Implemented load leveling
- Adjusting 24-hour processing clock
- Implementing lean processing in all plants

Invest to adapt to emerging economy

- Vehicles
- Package infrastructure

Right sizing the network

- **Postal infrastructure was built to support growing mail volume**
 - peak of 212 billion pieces in 2007
 - 2013 volume was 160 billion pieces and declines in mail continue
- **National service performance continues to be high**
- **If we were a private company**
 - Plants would have been closed years ago
 - Ask local governments to fund facilities, like sports teams and auto factories do
 - Raise prices, add all sorts of fees, charge extra for delivery to rural areas
 - Hire part-time, low-wage workers with no benefits
- **But we are not doing any of these things**
- **Not an easy decision**



Correcting Policy Mistakes in 2006 Legislation

- Retiree Health Benefits
- Price caps
- Restrictions in non-postal products
- Pension overpayment
- Get out of debt



Trends and technology drive innovation

Emerging Trends & Technology Changes

- Small regional solutions
- Non-traditional labor options
- Mobile and immediate
- Big data

Innovation Examples

- Laser Ship
- Uber
- 3D printing
- Fog computing
- Sensors

- **Pilot testing early morning package delivery**
 - Delivery between 3 AM and 7 AM
 - Based on customer demand for early delivery of a particular type of product
 - 60-day test
- **Other innovations in development**



Questions?