

DELIVERING FOR AMERICA

OUR VISION AND TEN-YEAR PLAN TO ACHIEVE
FINANCIAL SUSTAINABILITY AND SERVICE EXCELLENCE

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Our Dire Financial State

Despite our mandate to be financially self-sufficient, in FY2020, the Postal Service recorded a net loss of \$9.2 billion, adding to 14 years of losses totaling \$87 billion. Absent substantial changes, our financial losses will continue to grow, and our ability to invest in the future of the organization will continue to be severely curtailed.

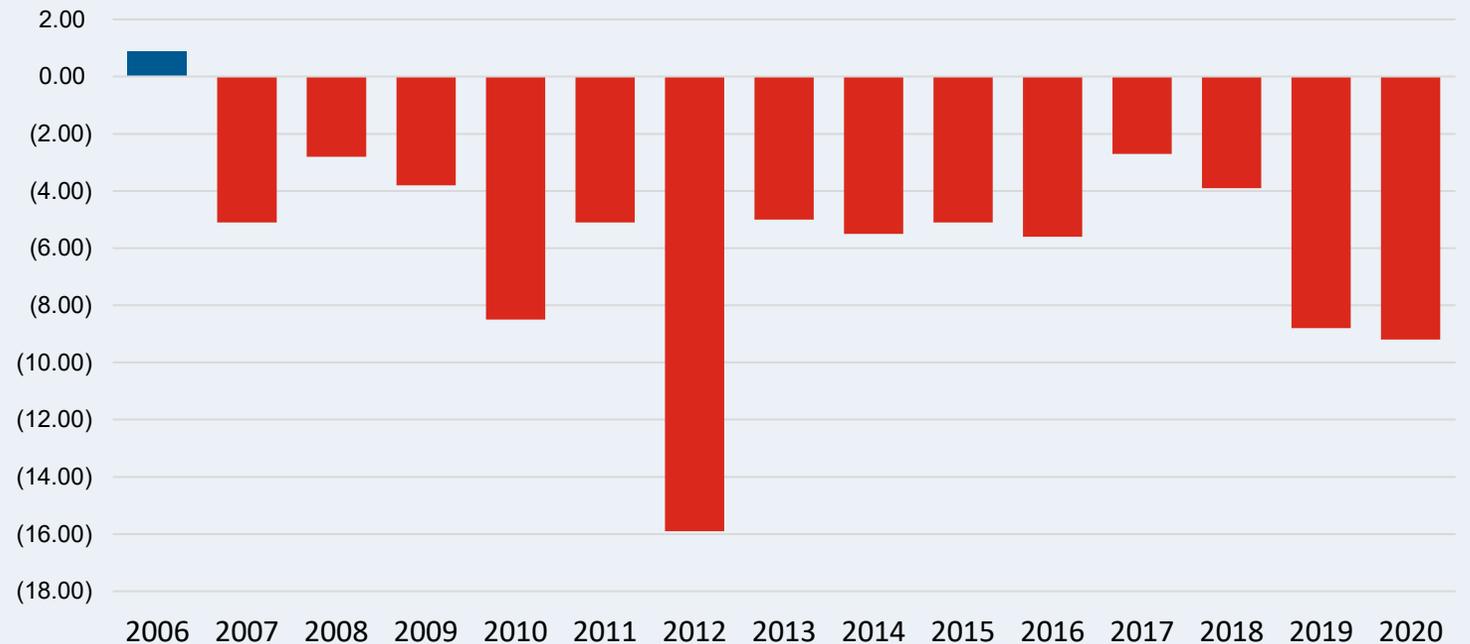
\$152 billion total unfunded liabilities as of September 30, 2020

\$87 billion lost over the past 14 years since the passing of the Postal Accountability and Enhancement Act of 2006 (PAEA)

\$63 billion total retiree health benefits, CSRS and FERS amounts unpaid as of September 30, 2020

\$9 billion net loss for fiscal year 2020

Postal Service Financial Losses Since PAEA Enactment



A Challenging Present

A decade of widening financial losses, declining service performance, loss of customer confidence, stalled innovation, and unacceptably high rates of employee turnover, gave us the conviction to build a plan that takes a comprehensive approach to the future. We methodically identified the challenges, as outlined below, and addressed each to give us a path to achieve our ambitious and interrelated financial, operational, and service performance goals for the next decade.



Hastened shift in demand away from mail to packages



Unattainable First-Class Mail service standards



High turnover rate within our non-career employee workforce



Misaligned mail and package processing operations



Prolonged underinvestment in retail and delivery network



Long-overdue pricing regulation changes from the PRC



Underperforming air and surface transportation network



Misaligned and redundant organizational design



Onerous legislative and administrative mandates

COVID-19 impacts

COVID-19 has exacerbated our problems While the Postal Service's financial and service performance challenges have persisted for years, they have deepened as a result of the COVID-19 pandemic.

The strains of this pandemic and the record volume of packages that resulted from it, especially during our holiday season, would have been difficult for the Postal Service to absorb under the best of circumstances. But it is also fair to conclude that because our long-standing challenges were allowed to persist for entirely too long, the Postal Service's network was less resilient, hence less capable of responding to the dramatic impacts of the global pandemic than would otherwise have been the case.



HASTENED SHIFT IN MAIL/PACKAGE COMPOSITION

An existing trend in the decline in mail was forced into steeper decline by the pandemic. This had both financial and operational impacts. At the same time, package volume increased due to e-commerce and social distancing. This shift has further stressed an already misaligned and outdated mail network.



EMPLOYEE AVAILABILITY

The number of employees quarantined due to their own illness or due to exposure reached 122,913 of our more than 644,000 workforce thus far. This was fully evident during our peak holiday season and profoundly impacted our service performance during that two-month period.



TRANSPORTATION

The scarcity of airplane and truck capacity, and the industry competition for both of those transportation modes, impacted our ability to deliver throughout 2020 and especially during the peak holiday season.

Our vision and ten-year plan to achieve financial sustainability and service excellence

Our Plan calls for growth and investments, as well as targeted cost reductions and other strategies that will enable us to operate in a precise and efficient manner to meet future challenges, as we put the Postal Service on a path for financial sustainability and service excellence.

Our commitments, particularly around service, people, and infrastructure will serve as the foundation that will drive our evolution and determine our success.

95%

performance target for on-time delivery across mail and shipping product classes.

\$40 billion

capital investments in service, people, and infrastructure over the next ten years.

HIGHLIGHTS OF THE DELIVERING FOR AMERICA PLAN

✓ ACHIEVE FINANCIAL SUSTAINABILITY

- Reverses a projected \$160 billion in losses over the next ten years
- Generates \$24 billion in net revenue in part from enhanced package delivery services for business customers, including same-day, one-day and two-day delivery offerings
- Improves cash flow to allow for investment of \$40 billion in workforce, new vehicles, improved Post Offices, technology improvements, and infrastructure upgrades
- Aligns pricing to reflect market dynamics
- Asks for bipartisan legislation in Congress to repeal the retiree health benefit pre-funding mandate and to maximize future retiree participation in Medicare

✓ ACHIEVE SERVICE EXCELLENCE

- Preserves affordable, six-day mail and expands seven-day package delivery
- With congressional support accelerates move to an electric delivery vehicle fleet
- Adjusts select delivery standards to improve efficiency and reliability
- Enhances customer experience via new suite of consumer and small business tools
- Stabilizes workforce with a goal of cutting non-career employee turnover in half, and creating more opportunity for growth including more predictable progression into career workforce

Key strategic goals

The comprehensive Plan includes a combination of investments in technology, training, Post Offices and a new vehicle fleet; modernizing the Postal Service's processing network; adopting best-in-class logistics practices across delivery and transportation operations; creating new revenue-generating offerings in the rapidly expanding e-commerce marketplace and pricing changes as authorized by the Postal Regulatory Commission.

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.



A strengthened public service mission including 6 and 7 days of mail and package delivery



With congressional support, electric delivery fleet by no later than 2035



A modern, transformed network of Post Offices designed as go-to destinations



An organization structured to support effectiveness



Service standards that foster service excellence - 95 percent on time reliability



Best-in-class mail and package processing network



A fully optimized surface and air transportation network



A supportive legislative and administrative framework



A bold approach to growth, innovation and continued relevance - \$24 billion of new revenue



Best-in-class mail and package delivery network



A stable and empowered workforce including reducing non-career workforce turnover by 50%



A more rational pricing approach including the judicious implementation of new and existing pricing authority

Critical strategic investments in service, people and infrastructure

This plan includes over **\$40 billion in capital investments over the next ten years** which is over \$15 billion more than our base plan. These investments will enable us to modernize the Postal Service, ensure that we can adapt to the changing needs of our customers, provide excellent services for both our mail and package products, and achieve our universal service mission today and for generations to come. Only through these investments will we achieve financial sustainability, grow our business and deliver service excellence over the coming decade.

\$40 billion in capital investments

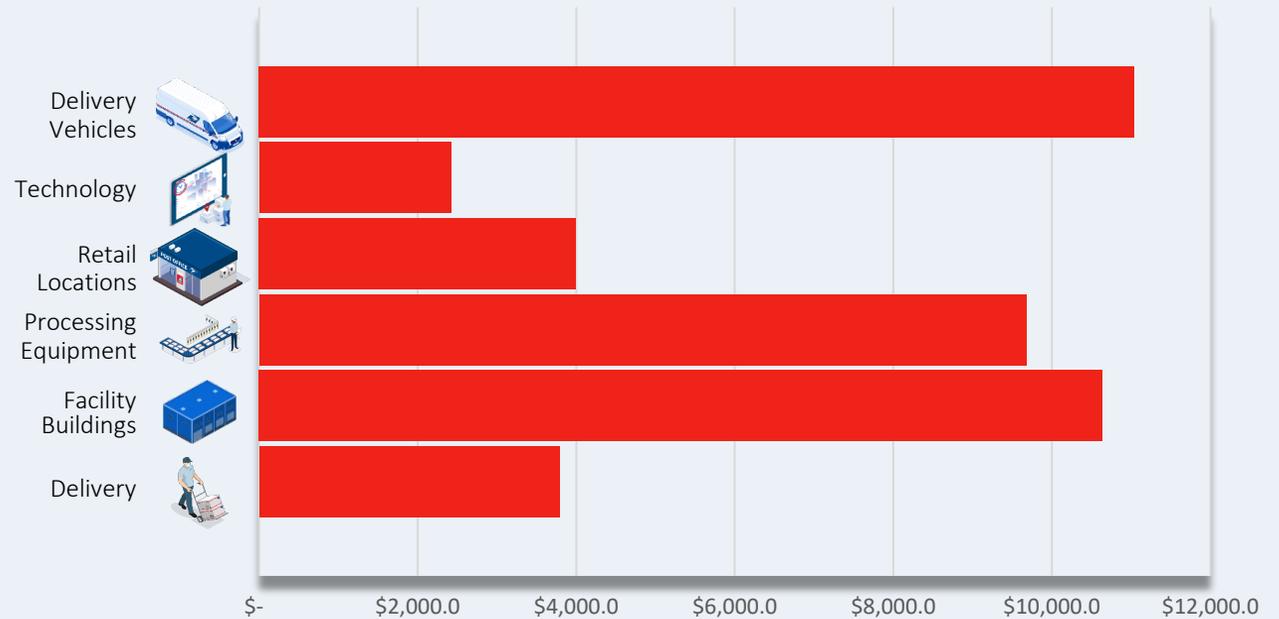
Significant investments include:

\$20 billion towards our mail and package processing network, including USPS facility space upgrades and procurement of new processing equipment.

\$19 billion towards our retail and delivery network, including upgrades to retail lobby spaces and acquisition of a Next Generation Delivery Vehicle fleet.

\$2 billion in technology upgrades, including upgrades to major IT systems.

Critical Strategic Investments in Ten-year Plan (\$M)



Our balanced approach to revitalizing the Postal Service

Successful implementation of the Plan requires partnership from legislative and regulatory stakeholders as its composition includes self-help initiatives to provide billions in new revenue and cost reductions, while improving the predictability and reliability of service; judicious implementation of new and existing pricing authorities; and legislative changes to retiree health benefit funding rules including requiring Medicare integration and eliminating the pre-funding requirement.

\$58B

Legislative and administrative action

Includes Medicare Integration and eliminating the pre-funding requirement

\$44B

Regulatory changes via Postal Regulatory Commission

Includes pricing flexibility for market dominant products

\$34B

Self-help management initiatives: cost improvement

Includes mail processing, transportation, retail, delivery, and administrative efficiency

\$24B

Self-help management initiatives: revenue improvement

Includes package growth, new competitive products and pricing changes

Financial impact of key self-help cost saving strategies



RETAIL AND DELIVERY

\$13 – \$18 billion¹

- Deploy NGDV fleet and replace rural POVs
- Optimize office and street efficiencies
- Align hours of operation to customer demands at low traffic Post Offices
- Rationalize stations and branches
- Modernize retail lobbies to enable expanded digital, Small and medium sized-business and government services



MAIL PROCESSING

\$5 – \$7 billion¹

- Reset 24-hour clock to improve service performance
- Consolidate mail processing operations
- Modernize package equipment and other plant automation



TRANSPORTATION

\$7 – \$10 billion¹

- Align service standards to maximize surface network capabilities
- Optimize long and short haul surface network
- Minimize redundant lanes and unplanned late and extra trips
- Modernize logistics management systems



ORGANIZATIONAL EFFICIENCIES

\$3 – \$5 billion¹

- Realign HQ, Area, and Districts into 3 national business units
- Reduce non-transportation contractor spend

¹ The financial impacts shown include a proportional allocation of interest savings achieved from these initiatives.

Projected financial impact of ten-year plan

By implementing the totality of the strategies identified in the Delivering for America ten-year plan – and doing so in a timely manner – **we will realize a positive net income in FY2023 or FY2024**, reverse a projected \$160 billion in losses over the next ten years, and achieve break-even operation.

\$160 billion lost base projection annual net income

\$0.2 billion net earnings with strategic plan

This plan also represents a balance of cost saving and revenue growth initiatives that are designed to deliver:

\$91 billion in operating expense reductions and approximately

\$68 billion in revenue improvement over the ten-year period.

Comparison of the ten-year projected annual USPS net income with and without USPS ten-year plan

