

From: SM Communications
Sent: Friday, December 09, 2016 2:46 PM
Subject: USPS re:supply Issue 24 December 9, 2016



Issue 24

December 9, 2016

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U.S. Postal Service Suppliers,

You are receiving this newsletter as you have registered your interest to do business with the U.S. Postal Service (USPS) or your email is on file as a point of contact for a current or past contract. Please share this newsletter with your colleagues within your company as it contains important supplier related information about the Postal Service.

We hope you find the recently-released information in the following articles helpful as part of our objective to keep our suppliers fully informed of all the major initiatives affecting them.

This issue is simultaneously being sent to USPS Supply Management employees for their information.

Thank you!

U.S. Postal Service Reports Fiscal Year 2016 Results

USPS Reports Net Loss, Shipping Growth



FY2016 Full Year Highlights:

- Net loss of \$5.6 billion, driven by mandated retiree health benefits expenses.
- Controllable income of \$610 million.
- Continued double-digit growth in revenue and volume in the Shipping and Packages business.
- Enactment of postal reform legislation remains urgently needed.

After accounting for a \$5.8 billion retiree health benefit prefunding obligation, the U.S. Postal Service posted a net loss of approximately \$5.6 billion for fiscal year 2016 (October 1, 2015 - September 30, 2016), as compared to a \$5.1 billion net loss for the year ended September 30, 2015. Excluding this prefunding obligation, the Postal Service would have recorded net income of approximately \$200 million in 2016.

"To drive growth in revenue and better serve our customers, we continue to invest in the future of the Postal Service by leveraging technology, improving processes, and adjusting our network," said Postmaster General and CEO Megan J. Brennan. "In 2016, we invested \$1.4 billion, an increase of \$206 million over 2015, to fund some of our much-needed building improvements, vehicles, equipment, and other capital projects."

The Shipping and Packages business continued its strong performance with revenue growth of \$2.4 billion, or 15.8 percent. This was offset by a decline in First-Class Mail revenue of \$925 million, or 3.3 percent, due largely to the exigent surcharge expiration and continuing electronic migration. These two trends, together with steady standard or advertising mail revenues, and a slight increase in other revenues account for the \$1.6 billion growth in operating revenue.

"The Postal Service continues to win e-commerce customers and grow our package delivery business. We deliver more e-commerce packages to the home than any other shipper because of our predictable service, enhanced visibility, and competitive pricing," said Brennan.

Overall, the Postal Service reported operating revenue of \$70.4 billion for 2016, excluding a \$1.1 billion change in accounting estimate recorded during the year. This equates to an increase of \$1.6 billion, or 2.3 percent, over last year. Revenue growth was achieved despite the April 2016 expiration of the exigent surcharge mandated by the Postal Regulatory Commission. As a result of this expiration, revenue for 2016 was lower by approximately \$1 billion than what it otherwise would have been. Going forward, without the surcharge, the Postal Service expects its revenue to decline from what it otherwise would be by almost \$2 billion per year.

Despite the positive trends in some aspects of its business, the net loss suffered by the Postal Service this year cannot be ignored. Even with continued proactive and aggressive management, such losses are likely to persist for the foreseeable future because of

mandated costs such as an unaffordable retiree health benefits program that is not fully integrated with Medicare, and an ineffective pricing system.

"This is why legislative and regulatory reforms remain critical for us to meet the needs of the American public now and well into the future," said Brennan.

Operating expenses increased in 2016 compared to last year. In addition to a \$922 million increase in workers' compensation expense, compensation and benefits expenses increased by approximately \$1.2 billion and transportation costs increased by \$413 million. The growth in labor and transportation costs is largely due to the increase in Shipping and Packages volumes, which are more labor-intensive to process and require greater transportation capacity than mail. Transportation expense also increased to significantly improve service levels in 2016.

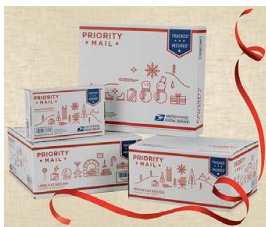
Controllable income for 2016 was \$610 million compared to \$1.2 billion for last year. In the day-to-day operation of its business, the Postal Service focuses on controllable income, which takes into account the impact of operational expenses including compensation and benefits; but does not reflect factors such as the legally-mandated expense to prefund retiree health benefits or the change in accounting estimate noted above.

Complete financial results are available in the [Form 10-Q](#).

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Postal Service Ready to Deliver Holiday Cheer

About 16 Billion Pieces of Mail, Including 750 Million Packages, to be Delivered this Holiday Season



The U.S. Postal Service is ready to deliver a lot of cheer — in the form of roughly 16 billion cards, letters and packages — this holiday season.

The Postal Service, the largest e-commerce deliverer, is projecting about 750 million packages will be delivered this holiday season, a 12-percent increase in volume compared to last year.

"Our customers can count on the entire Postal Service workforce to deliver their holiday gifts, cards and letters," said Megan J. Brennan, Postmaster General and CEO. "With the Postal Service's unrivaled network and expanded 7-day a week delivery window, we are uniquely qualified to provide the highest levels of customer service and we are confident that's exactly what we'll do this holiday season."

Additionally, the Postal Service is hiring more than 35,000 seasonal employees to help process and deliver increased volumes and meet the needs of its customers.

While the Postal Service already delivers packages on Sunday in most major cities, following the success of past holiday seasons, it has expanded Sunday delivery operations to all locations with high package volumes. More than five million packages are expected to be

delivered each Sunday in December. Mail carriers will also deliver packages on Christmas Day in select locations.

Busiest Mailing and Delivery Days

The Postal Service predicts that Monday, December 19, will be the busiest mailing and shipping day for holiday packages, letters, and cards. Thursday, December 22, is expected to be the busiest delivery day for holiday packages, cards, and letters. The Postal Service anticipates nearly 30 million packages will be delivered on the peak delivery day alone.

Skip the Trip and Ship Online

Customers can avoid holiday hassles by visiting usps.com — the Postal Service’s website that will help make mailing and shipping easier than ever. Millions of customers will skip the trip to the Post Office altogether and take advantage of convenient online shipping this holiday season. Click-N-Ship and other online services allow customers to order free Priority Mail boxes, print shipping labels, purchase postage, and even request free next-day Package Pickup from the mail carrier.

Click on [Holiday Stamps and Products](#) to view current Holiday stamps and other Holiday themed products online.

2016 Christmas Shipping Deadlines

The Postal Service recommends the following mailing and shipping deadlines:

- December 9 – APO/FPO/DPO Priority Mail & First Class Mail
- December 15 – USPS Retail Ground
- December 20 – First Class Mail
- December 21 – Priority Mail
- December 23 – Priority Mail Express

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I Want a Hippopotamus for Christmas

USPS Holiday Ad Receives Rave Reviews



The Postal Service’s new holiday TV ad is a hit with employees, customers — and the advertising industry.

To view the video, click on [I want a Hippopotamus for Christmas](#). The spot recently placed in the Creativity Top 20, a website tied to the Advertising Age trade publication.

The rankings are based on reviews from advertising professionals. The list is continuously updated.

“We are thrilled to see the ad receive such a warm reception,” said USPS Brand Marketing Executive Director Chris Karpenko. “The campaign is a tribute to all of our hard working employees who deliver cheer during the holidays.”

Postmaster General and CEO Megan J. Brennan narrates the spot, which follows a young girl who wishes for a hippopotamus for the holidays. With help from her parents — and the Postal Service — her wish comes true.

The ad is part of a campaign that features USPS employees and is being shown on multiple channels throughout the season.

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USPS'S CONTRACTED CNG FLEET
EMITTED AT LEAST 25% LESS
EMISSIONS THAN THE DIESEL TRUCKS
THEY REPLACED

USPS Alternative Fuel Achievements Highlighted *Part of Global Effort to Reduce Carbon Footprint*

The USPS alternative fuel contract delivery fleet is expanding, thanks to the efforts of Supply Management's Surface Transportation Team and other USPS organizations. This success was highlighted in the recently released [2016 Postal Sector Sustainability Report](#) published by the International Post Corporation (IPC). Here's an excerpt from page 35 of the report featuring the USPS.

"The United States Postal Service (USPS) continues to work collaboratively with over 7,500 suppliers to expand the use of alternative fuels in its contract fleet. In 2014, 39 USPS contract trucks were operating with compressed natural gas (CNG), accounting for a total of 3 million miles and 522,000 gallons of fuel annually. By 2015, USPS had increased the number of its contract natural gas trucks from 39 to 72, more than doubling the number of annual miles operated by natural gas vehicles from 3 million miles to 6.6 million miles.

By the end of December 2016, USPS estimates that it will have approximately 140 contracted trucks running on alternative fuel. The USPS is in the process of developing long term goals for this alternative fuel initiative. Additionally, USPS is continuing to engage with its supply base to further encourage and promote the use of alternative fuels in its contracted fleet.

It is estimated that USPS's contracted CNG fleet has now displaced over 1.2 million gallons of diesel fuel and emitted at least 25% less emissions than the diesel trucks they replaced. CNG has proven itself to be advantageous in both fuel cost and service reliability, and continues to gain popularity amongst USPS vehicle contractors."

International Post Corporation (IPC) is the leading service provider of the global postal industry that provides leadership by driving service quality, interoperability, and business-critical intelligence to support posts in defending existing business and expanding into new growth areas. It is a cooperative association of 24 member postal operators in Asia Pacific, Europe, and North America. IPC's solutions and services are used by over 180 posts worldwide. Since 1989, IPC has set standards for upgrading quality and service performance and developed technological solutions that help members enhance service for international letters, packets, and parcels. IPC engages in industry research, creates business-critical intelligence, and provides a range of platforms and programs for member post CEOs and senior management to exchange best practices and discuss strategy.

You may click on [IPC Press Release - Postal Sector Continues to Lead in Carbon Emissions Reduction Efforts](#) for more information.

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USPS Recognized for Contributions to Supplier Diversity

USHCC Honors Leading Businesses in Supplier Diversity



USPS has recently been inducted into the U.S. Hispanic Chamber of Commerce (USHCC) 2016 Million Dollar Club for its commitment to supplier diversity. The Million Dollar Club was established to recognize corporations that actively demonstrate a commitment to minority-owned and women-owned enterprises through their work with minority suppliers.

USHCC recognizes corporations that integrate Hispanic businesses into their strategic sourcing and procurement process. This year's inductees contracted with Hispanic businesses for a minimum of \$25 million. USPS was recognized in the \$500 million – \$1 billion category.

“We applaud our 2016 Million Dollar honorees as champions and trailblazers in supplier diversity,” said USHCC President & CEO Javier Palomarez. “These industry leaders have proven that they are committed to inclusion by spending resources to ensure that their suppliers reflect the faces of their customers, employees, and shareholders. Opportunities have increased across the country as a result of our honorees’ procurement efforts, creating jobs and fostering economic development in the communities where they are needed most. The USHCC is thrilled to celebrate these companies as part of our Million Dollar Club.”

During fiscal year 2015, the year spend was considered for this cycle, the Postal Service had contract commitments with small businesses that exceeded \$4.5 billion. Contracts with minority-owned businesses, including Hispanic commitments, exceeded \$527 million. Contracts with women-owned businesses totaled \$766 million.

“We continuously strive to do business with the best suppliers, those that provide the best value to the Postal Service,” said USPS Supplier Diversity Program Manager Rupert R. Warner, Jr. “I’m pleased that we are being recognized for our accomplishments with Hispanic businesses and I hope we will continue our positive track record.”

More information, including a list of all winners, may be accessed at [USHCC 2016 Million Dollar Club Press Release](#).

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Supplier Performance Award Winners

Businesses Honored for Contributions to USPS



The Postal Service has honored 10 companies for superior supply chain performance and delivering optimum solutions that reduce costs, enhance performance, maintain high levels of service, and provide innovative and sustainable solutions.

At the Supplier Performance Awards ceremony at Postal Service headquarters in Washington, DC on June 29, 2016, the companies recognized for performance during 2015 received awards in the following categories: Supplier Performance, Supplier Excellence, Supplier Innovation, Supplier Diversity, and Supplier Sustainability Excellence. Suppliers are nominated by postal stakeholders for providing services or innovative solutions that exceed expectations and provide a notable contribution. This is the 26th year of the awards.

Postmaster General and Chief Executive Officer Megan J. Brennan gave the keynote remarks, highlighting the suppliers' role in enhancing postal operations.

Vice President, Supply Management, Susan M. Brownell hosted the ceremony and also thanked the suppliers for the positive impact their commitment to excellence provides to the Postal Service, "As an organization we are challenged every day to become faster, smarter, and more efficient. Our suppliers help us to increase our competitive edge and this year's winners have demonstrated just this. They are agile, innovative, and committed to achieving results."

Click [here](#) to see an enlarged photo and information about each of the suppliers that were honored.

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Welcome to SubTropolis

Underground Postal Facility Stores Hundreds of Millions of Stamps



Postal Service employees who work at the Stamp Fulfillment Services (SFS) facility in Kansas City, MO, have a unique perspective on the world. They work below it.

The facility is located inside the SubTropolis, an underground industrial park. The park, carved out of an excavated mine, is the size of 140 football fields.

The 270-million-year-old limestone walls keep temperatures at a constant 68 degrees, eliminating the need for air conditioning or heating.

The Postal Service occupies more than 500,000 square feet, which are used to store hundreds of millions of stamps.

SFS also manages stamp production and serves consumers who order stamps and philatelic products through usps.com, eBay, and other channels. Additionally, SFS is the main stamp distribution point for all postal retail units.

Other SubTropolis tenants include archives that hold old IRS records and the original “Gone With the Wind” and “Wizard of Oz” film reels.

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<p>ARE YOU REGISTERED TO DO BUSINESS WITH THE U.S. POSTAL SERVICE?</p> <p>More than 16,000 suppliers have registered since our launch of the Supplier Registration site in July 2009.</p> <p>All suppliers interested in doing business with the U.S. Postal Service should register their company in the Postal Service Supplier Registration system.</p> <p>For more information, please go to http://about.usps.com/suppliers/becoming/registration.htm.</p>	<p>CONTACT US!</p> <p>We value your questions and feedback to this newsletter. Please feel free to reply to this message with your feedback or mail to:</p> <p>U.S. Postal Service Supply Management Communications 475 L'Enfant Plaza, SW, Room 1100 Washington, DC 20260-6201</p>
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DID YOU KNOW ?

USPS serves more than 153 million delivery points nationwide.