



**STATEMENT OF
POSTMASTER GENERAL AND CHIEF EXECUTIVE OFFICER
Louis DeJoy
before the
House Committee on Oversight and Accountability
Subcommittee on Government Operations and the Federal Workforce
Hearing:
“Tracking the Postal Service:
An Update on the Delivering for America Plan”
May 17, 2023**

Good Morning Subcommittee Chairman Sessions, Ranking Member Mfume, Chairman Comer, Ranking Member Raskin, and Members of the Subcommittee. I welcome this opportunity to discuss the Postal Service's progress on our 10-Year Strategic Plan, Delivering for America. We are very proud of the substantial progress we already made. By way of example, we stabilized our service, began the transformation of our processing and delivery network to improve operations and deter continuously rising costs, pursued revenue producing opportunities, and with your help, passed important reform legislation. All of this reduced our projected deficit over the next 10 years from \$160 billion to \$70 billion.

As the nation's 75th Postmaster General and Chief Executive Officer of the U.S. Postal Service, I am whole-heartedly committed to ensuring that the Postal Service can fulfill its public service mission and maintain financial sustainability well into the future. It is important to note that our universal service mandate is required to coexist with a financially self-sustaining mandate.

To be directly responsive to the subject of the hearing, I provided as part of my testimony our Second-Year Progress Report for the Delivering for America Plan (or DFA). As requested, it carefully details our service, financial, organizational, and operational progress-to-date. In addition, be reminded that by May 30, we will be submitting to this Committee our six-month report as required in the Postal Service Reform Act (PSRA). These reports detail impressive progress.

It must be also pointed out that our service has steadily improved simultaneous with transformation of the organization—an impressive feat. Service is stable, as demonstrated by eight consecutive quarters of 90 percent or higher on-time performance for mail. Service is equitable and reliable, with 98 percent of the nation's population receiving their mail and packages in less than three days. Service is faster, with average days to deliver improving from 3.6 to 2.5 between January 2021 and April 2023.

However, as a preface to our report, it is important for us to have a common understanding of the reasons why the Postal Service got into the condition that it was in, as well as the magnitude of the problems that we need to solve. Our progress-to-date can only be fully understood when considered in that context, and we also need to understand some of the obstacles that could resurface to threaten progress if not fully recognized. A failure to confront and solve the problems of the Postal Service leads down a path that is not acceptable to anyone.

Let me begin by sharing the environment in which our progress has been achieved.

The Wisdom of the Postal Reorganization Act of 1970

Congress enacted the Postal Reorganization Act (PRA) in 1970, which designed the Postal Service to be a self-sustaining business-like entity that would cover its operating cost through the sale of postal related products and services. I believe there was wisdom in that legislation, albeit compromised by the Postal Accountability and Enhancement Act (PAEA) and subsequent regulation. The Congress fully intended that the Postal Service would need to continually balance service, costs, and price to the nation's changing economy. In other words, it recognized that you can't do all things, at all costs, at all times. Congress recognized that absent this business-like equation, users of the system would develop unlimited and unrealistic expectations. Therefore, the PRA sought to ameliorate the amassed pressure of these unrealistic expectations by giving the Postal Service the authority to make its own decisions within the bounds of the statute, free from direct political and stakeholder influence that might

compel bad operational decisions and a lack of service discipline. Despite the intentions of the PRA, these pressures and influences persisted and the Postal Service succumbed to them, and the goal of financial sustainability became impossible to achieve.

While the Postal Service is the only organization with the resources, network infrastructure, and logistical capability to regularly deliver mail and packages to 165 million residential and business addresses daily, over the past 15 years we amassed significant financial losses to do so. The organization experienced significant deterioration to the very infrastructure that enables our universal service mission. This has been the result of all stakeholders failing to commit to the principles that established the Postal Service as an independent agency.

Aspects of the Postal Accountability and Enhancement Act Set the Organization Back

In 2006, Congress passed PAEA, which required the Postal Service to fully prefund retiree health benefits (RHB). This prefunding requirement was not imposed on other governmental entities or private-sector businesses. It was unique only to the Postal Service, and it contributed significantly to our losses. These financial constraints prevented the Postal Service from making necessary capital investments and operational improvements and represented a significant portion of our unpaid obligations.

Additionally, unlike virtually all state and local government and private sector retirees, to the extent that they receive retiree health benefits at all, postal retirees were not required to enroll in Medicare at age 65. In fact, despite the Postal Service and our employees paying over \$34 billion in Medicare taxes since 1983, only 74 percent of postal retirees chose to enroll. This resulted in an overpayment to the Medicare Trust Fund, to which the Postal Service was the second largest contributor. It also resulted in RHB being significantly more costly for the Postal Service, postal employees, and postal retirees than for their federal and non-federal counterparts.

Fortunately, the PSRA corrected these two financial wrong turns, but only after they had inflicted 15 years of financial harm with significant collateral effects.

Concurrently, there were also dramatic changes in customer demand, due to the accelerating impacts of digital communication as well as the Great Recession, which occurred almost immediately after the passage of the PAEA. These impacts put downward pressure on the traditional letter and flat product volumes that we deliver to our customers' mailboxes, especially First-Class Mail volume. These sharp declines since Fiscal Year (FY) 2007 severely impacted our finances as well as the efficiency and effectiveness of our processing, logistics, and delivery networks which were primarily designed to deliver letter and flat mail.

When I arrived, domestic mail revenue had declined from \$60.6 billion in FY2007 to \$38.7 in FY2020—a decline of over \$21.9 billion (36 percent) or an average annual decline of 2.8 percent. Similarly, total mail volume had declined by 42 percent since FY2007, a decline of about 3 percent per year. Most concerning, First-Class Mail volume—which provides the greatest contribution towards covering the costs of maintaining our universal service network—had declined by 45 percent between FY2007-FY2020.

At the same time, our cost to deliver mail continuously increased as our mail volume and revenue declined. This was driven by increased demand on our network, including the number of delivery points we serve, which had grown, and continues to grow, on average by more than one million delivery points each year. The result was a drop in pieces per delivery point per day

from 5.6 pieces of mail and packages in FY2006 to 3.0 pieces in FY2020. Simply put, we were delivering less mail to more delivery points each year, which meant less revenue to cover increasing costs each year. These trends are expected to continue in the coming decade, with total mail volume projected to decline by 36 percent and total mail pieces per delivery expected to decline to 1.7 pieces by FY2030.

Another significant problem with PAEA is that it imposed a defective pricing model for our traditional letter and flat products that was not flexible enough to deal with the significant external forces we experienced. This defective pricing model was exacerbated when the one outlet valve provided by the statute to deal with extraordinary or exceptional circumstances was interpreted extremely narrowly by the Postal Regulatory Commission (PRC) so that it did not provide adequate relief to enable us to adjust. In addition, although the PRC recognized that the system for establishing rates for our mail products was insufficient to enable the Postal Service to be financially stable, the PRC took an additional four years to propose a new ratemaking system which—while better than the prior system—is also defective.

And finally, as identified in a Government Accountability Office report, for at least the past 10 years, Postal Service efforts to make changes have been plagued by significant stakeholder resistance, including the transformative changes that we know are now necessary if we want to put the Postal Service on a path to service excellence and financial health. This resistance is routinely expressed by stakeholder lobbying to Congress and the PRC.

While the operating and financial environment was difficult during this period, Postal management is not free from blame, and could have deployed more strategic operating and marketing initiatives to slow the demise. However, no management action would have been sufficient to overcome the onslaught of counterproductive congressional and regulatory action and inaction combined with the rapidly changing marketplace.

So why am I telling you all of this?

Not because I am interested in reliving or relitigating history, but instead because we need to be on guard and ever vigilant concerning the mistakes of the past, to ensure that we are not doomed to repeat them.

The Need for a Plan: Avoiding the Crisis of “Everything, Everywhere, All at Once”

When I arrived here in June of 2020 the conditions inside the organization were unimaginable.

Besides being in the middle of a pandemic and in a highly politicized environment, the financial, operational, and organizational condition of the Postal Service had so deteriorated that the organization’s existence was in peril.

The Postal Service was projected to lose \$20 billion that year and run out of cash in 60 days.

We had lost \$87 billion in the last 14 years and were projected to lose well over \$160 billion in the next 10 years.

Our long-term financial sustainability was burdened by more than \$152 billion in unfunded liabilities, including unfunded liabilities for our retirement related accounts.

Our infrastructure was saddled with billions of dollars of deferred maintenance and was not appropriately aligned to the changing marketplace and product mix due to an inability to make needed capital investments.

And finally, the operational, organizational, employment, and marketing practices had deteriorated to a level of ineffectiveness that daily operations were creating ongoing self-inflicted catastrophic damage.

And again, why am I telling you all of this?

Not to cast blame or aspersions, but instead because we all need to have our eyes wide open about the magnitude of the problem that we need to fix, and the reasons why it is so imperative that we make the kind of significant transformative changes that I discuss below and that are outlined in the Delivering for America Plan, and which are absolutely necessary to put the Postal Service on the path to service excellence and financial stability.

The Delivering for America Plan: A Bold Approach to Growth, Innovation, and Continued Relevance

Working in tandem with my leadership team, and with the support of our Board of Governors, we introduced the Delivering for America Plan: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence.

Our plan establishes clear strategies to achieve service excellence and financial stability. Our plan will generate enough revenue to cover our operating costs, and enable investments in our people, infrastructure, and technology, while simultaneously providing our customers and the American people with excellent service. By implementing the totality of the strategies identified in the Delivering for America Plan—and doing so in a timely manner—we will reverse a projected \$160 billion in losses over the next ten years.

To summarize, the Delivering for America Plan goals include:

- A strengthened public service mission including six and seven days of mail and package delivery.
- Service standards that foster service excellence—95 percent on time reliability across all product lines.
- A bold approach to growth, innovation, and continued relevance—\$24 billion of new revenue.
- An electric delivery fleet by no later than 2035.
- Best-in-class mail and package processing and delivery operations.
- A modern, transformed network of Post Offices designed as go-to destinations.
- A fully optimized surface and air transportation network.
- A stable and empowered workforce.
- An organization structured to support effectiveness.
- A supportive regulatory framework to enable operational, product, and service improvements.
- A more rational pricing approach including the judicious implementation of new and existing pricing authority once we are financially stabilized.
- Implementation of legislative (retiree health benefit reform) and Executive (CSRS reallocation) actions.

We have made great success pursuing the objectives of the DFA. Our whole organization is energetically and collaboratively deploying tactics that will continue to:

- Improve our operational precision.
- Reduce our cost of performance.
- Increase our service reliability.
- Grow our revenue.
- Provide long-term enjoyable career paths for all our employees.
- Enactment of employee benefit funding reforms in PSRA.

A Word on the Plan's 2023 Break-Even Prediction

In the Delivering for America Plan, we predicted that we would break even in 2023. While we did not reach this goal, we did successfully cut our predicted 10-year deficit by more than 50 percent, thanks to our cost savings efforts, our judicious use of pricing authority, our efforts to improve our product solutions for customers to grow revenue, and Congress's efforts in passing PSRA.

While we are proud of our overall progress, we acknowledge that we have not achieved every component of our plan according to the timelines we projected. In that regard, the 2023 break-even goal proved to underestimate some organizational, operational, and financial challenges, and some economic factors that we are now facing that we could not have foreseen. Not meeting our short-term financial goals as specified in the DFA is not taken lightly. We will be taking more aggressive actions to get back on track to overcome matters unforeseen in our DFA forecast. These unforeseen matters include:

Inflation impact that far exceeded our forecast: The Postal Service, by regulatory design, has a lagging ability to factor in or recover from the impacts of increased inflation that occur during any given budget year. Examples of inflation-impacted costs are personnel expenses (our biggest cost factor), transportation expenses, energy costs, and supply chain transitions. We are part of the broader marketplace, supply chain, and employment economy and we are not immune to the impacts of inflation. In fact, we are more captive to them than most businesses, considering we have an ever-expanding service mandate, reductions in mail volume, and increasing expenses—all with a limited ability to adjust our service and prices.

Time and costs of achieving today's stabilized service: Service stabilization has a real and substantial cost, especially under the inefficient legacy processing and delivery networks we are now working to transform. Service performance at the time of the release of our plan had been on an increasingly downward trajectory. Our implementation plans to correct for the massive and nationwide faulty operating practices needed to be both deliberate and careful. Our early efforts to stabilize service under the plan identified significant voids in our operating practices that we needed to reestablish before implementing the changes identified in our plan. In addition, the ability to implement changes to our products, marketing, and operating solutions are often affected by the need to confront broader realities and legacy expectations that are not always intuitive or easily planned for. This added both time and cost to our scheduled financial improvements.

CSRS Reallocation: The Postal Service continues to encourage Executive action to adjust the actuarial assumptions connected to retirement costs for our employees who were also part of

the Post Office Department; the predecessor organization from which the Postal Service was created. The excess annual financial burden of this failure of actuarial reallocation has only grown since the plan was released. Further, while we are continuing to work with the Administration to try to achieve this result, the DFA presumed that we would have achieved it in FY2022, and our inability to do so has delayed when we will be able to break even.

Other factors: Broader economic conditions also contribute to our bottom line. For example, while Market Dominant volume has trended downward precipitously since 2007 (post-PAEA implementation), it continues to trend downward faster than projected. Relatedly, businesses are reducing their advertising spend, impacting all modes of advertising dollars, including advertising through the mail, which translates to mail volume impacts.

Breaking even in 2023 was certainly part of our goal, but we were not willing to do so at any cost and we were not willing to put the broader reforms at risk. There is a balancing act between the short-term pace of change that can be tolerated by the public, the organization, and the mailing industry and implementation of the institutional changes that are necessary to achieve the long-term health of the Postal Service

Obstacles to Further Progress Must Be Recognized and Resisted

The fact that we adjusted the pace of our change in recognition of the political and other realities, and that we did not reach the break-even point for all the reasons I noted, should not distract us from recognizing the fact that the DFA is working. We have made excellent progress towards ensuring the long-term financial health of the Postal Service while simultaneously stabilizing service and putting us on the path to providing exceptional service to the American people. We must not be dissuaded by short-term thinking, parochial interests, fear, or resistance to change.

Yes, while our plan is bold, and it is grounded in optimism—we are confident that it will work. If we stay the course and avoid the significant mistakes of the past, we can more than just avoid the inevitable path to insolvency. Instead, by working together, we can restore this vital American institution and return the Postal Service to greatness so that we can continue to serve the American people with honor for the next century. My confidence in the bright future of the Postal Service is buttressed by the resolve and enthusiasm of the women and men of the Postal Service that I meet every day, who are energized and fully committed to our turn-around and our ultimate success. We owe them our best efforts and a solid plan to address the problems of the past and to chart a course for the future, all of which is reflected in the DFA.

I look forward to working with you in partnership as we collectively transform the Postal Service into the high-performing and financially self-sustaining organization that will provide the American people with excellent service for decades to come, and about which we all can be proud. I thank you for your participation today and in our future efforts, and I am happy to answer your questions.

And as previously mentioned throughout my testimony, below is a copy of the Delivering for America Second-Year Progress Report.

DELIVERING FOR AMERICA

Second-Year Progress Report





INTRODUCTION

Two years ago, we launched Delivering for America (DFA), a 10-year strategic plan to modernize and revitalize the Postal Service. Ambitious in its scope yet realistic in its promise, DFA is a transformational roadmap to building operational excellence, financial stability and a sustainable future for this essential national institution.

Modernizing our logistics capabilities, upgrading our facilities and equipment, bringing our delivery fleet into the 21st century and enhancing the jobs and efficiencies of the 635,000 men and women who serve the Postal Service is a massive undertaking. We are pleased to report that in its first two years DFA has achieved significant and measurable successes. We are improving service, efficiency and our financial outlook — building a new USPS while continuing to meet our universal service mission to deliver mail and packages six and seven days a week.

There are challenges ahead, but it is clear that the initial steps we have taken to implement DFA have put us on the right path to meeting our nation's evolving mailing and shipping needs in a financially self-sufficient manner.

Our Delivering for America Objectives:



A strengthened commitment to 6 and 7 days of mail and package delivery as part of our public service mission



A modernized vehicle fleet with an expanded electric opportunity based on a fiscally responsible rollout



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



An organization structured to support effectiveness



Service standards that foster service excellence — 95% on-time reliability



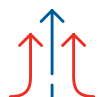
A best-in-class integrated mail and package processing network



An optimized surface transportation network



A supportive legislative and administrative framework



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



A best-in-class integrated mail and package delivery network



A stable and empowered workforce including reduction of pre-career workforce turnover by 50%



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

Starting With the Fundamentals: Aligning USPS To Be a High-Performing Organization

Creating a structure to align with the strategies and goals of Delivering for America has been one of the most important achievements in the first two years of the 10-year plan. The operational, financial, service, workplace and performance goals we have established — which improve competitiveness in the marketplace and strengthen the value of USPS for the American public — require a transformation in both our structure and operating model.

To overcome years of underinvestment and seemingly insurmountable service and financial burdens, the organization demanded large-scale transformation and modernization. The important successes achieved in just the first two years of the DFA plan reveal that USPS is intensely focused on becoming the high-performing organization the public expects.

Today, our Executive Leadership Team and organizational structure are aligned around achievable goals with a level of accountability consistent with top-performing organizations in private industry.



FOSTERING SERVICE EXCELLENCE FOR THE AMERICAN PEOPLE

Delivering for America takes a thoughtful, studied, and phased approach to modernizing USPS. We have focused on reviving an aging, inefficient network through targeted investments and new strategies, forming the foundation for more substantive structural reforms to occur over the next eight years.

Our plan calls for reinvestment on a vast scale to establish a network of new or reimagined facilities that support redesigned processing, transportation and delivery networks. Updated facilities and operational approaches, modern equipment, and state-of-the-art automation will give employees a more productive, effective, and engaging environment to work.

DFA identified critical deficiencies in our legacy network that stymie on-time delivery performance. For example, operational shortcomings that routinely caused disruptions during peak holiday seasons were addressed during the plan's first two years as we expanded capacity, realigned the transportation network, purchased and deployed automation tools, and invested in the postal workforce.

Improving Service Reliability

The gains from our phased approach to improving service reliability have been significant. We have already reversed years of declining reliability and are close to meeting the primary objective of 95% on-time performance across all mail types.

Since the middle of FY2021, on-time delivery performance has improved significantly and consistently across all product categories, and by the end of FY2022, our on-time performance was the highest it had been in five years.

Our improved service gave the White House the confidence to entrust the Postal Service with distributing COVID-19 test kits to the nation in a time of national emergency. Our commitment to ensuring that the mail constitutes an effective means for the conduct of elections was reinforced in 2022 as election mail was once again delivered securely and on time in the nation's elections.

These results validate that our DFA's approach is working.

Service misses are short in duration with 98% of the nation's population receiving their market dominant mail in less than three days today. In isolated areas, we are working hard to resolve our service challenges in local communities due to extreme weather or hiring challenges and we will continue to respond urgently.

FY2022 On-time Mail Performance

First-Class Mail®:

91%

Delivered 91% of First-Class Mail on time against the USPS service standard.

Improvement of:

↑ 8.3%

over the 82.7% on-time rate in FY2021.

Marketing Mail:

93.3%

Delivered 93.3% of Marketing Mail on time against the USPS service standard.

Improvement of:

↑ 5.7%

over the 87.6% on-time rate in FY2021.

Periodicals:

83.7%

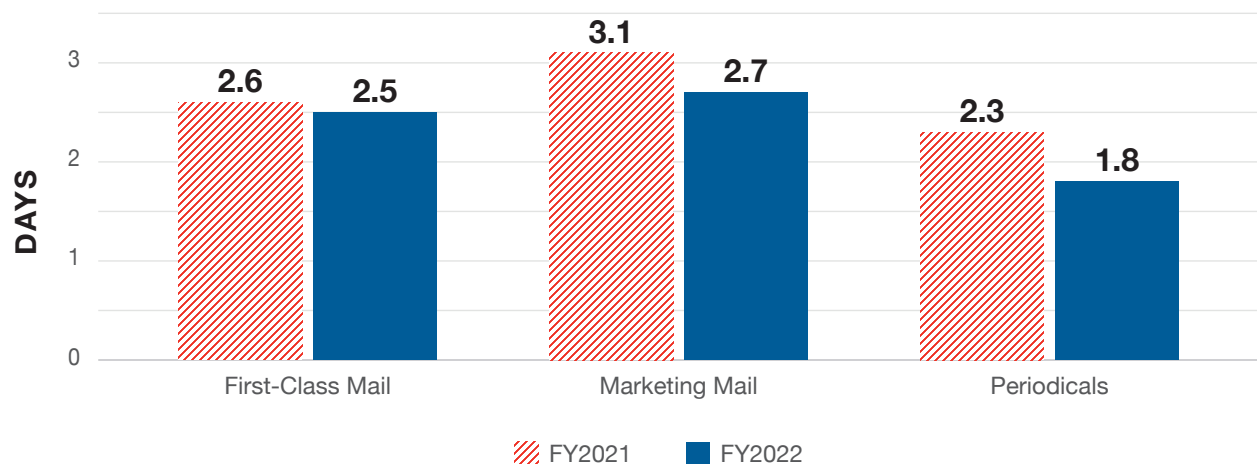
Delivered 83.7% of Periodicals on time against the USPS service standard.

Improvement of:

↑ 8.1%

over the 75.6% on-time rate in FY2021.

Average Days to Deliver



The Postal Service expects service scores to improve as operational advancements, new technologies and revised training procedures — introduced during the initial two years of the plan — are increasingly integrated into our network. This projected improvement is reflected in our FY2023 service performance targets which are higher than those we set for FY2022.

FY2023 Service Performance Targets

First-Class Mail Composite:

92.5%

Marketing Mail:

93.64%

Periodicals:

85.75%



Delivering More Packages, More Reliably

As Americans' mailing and shipping needs evolve, so too must our organization to stay relevant and viable. U.S. parcel shipping activity is expected to grow 5% per year over the next five years according to the 2023 Pitney Bowes annual shipping index. That is why Delivering for America puts a strong emphasis on strengthening our shipping solutions to compete in a modern logistics industry.

Delivering more packages to more American households and businesses is the key to our future success. In FY2019, prior to the pandemic, we delivered what was then considered a record 6.5 billion packages. In FY2021, that volume jumped to 7.9 billion packages and 7.6 billion in FY2022.

Despite these significant volumes, our package delivery performance was strong. Package service was extremely reliable in FY22, with 95.6% of packages delivered on-time. Packages moved quickly and efficiently through our network. On average, 99.9% of packages were delivered in an average of less than three days.

Our increasingly reliable and fast shipping solutions are largely in part to strategic investment in our infrastructure. We've increased our physical footprint to accommodate a higher volume of packages and made technological upgrades and investments in new machines. Between 2020 and 2022, we increased the number of high-speed package sorters by more than 50% with the purchase and installation of 249 new machines. These machines, coupled with increased operating precision, increased our daily package processing capacity to 60 million, a capacity of more than 10 million higher than the package volume recorded on our busiest day in the 2022 peak season.

Our daily processing capacity currently exceeds the daily number of packages being shipped across the nation. In 2022, 58 million packages were shipped nationwide each day according to Pitney Bowes. As this number grows, so too will the demands on our network.

99.9%
of packages
delivered in less
than three days

Delivering for the Nation In a Time of Crisis

The operational precision and significant investments in our expanded footprint under DFA were indispensable to the success of the COVID-19 test kit delivery program and strengthened our integral role in the nation's core infrastructure. As a result, we were able to deliver test kits quickly to every eligible household in America. By DFA's two-year mark, we had successfully delivered more than **730 million test kits** to an estimated **80 million** households across the nation in an average of just **1.2 days**.

Delivering the Holidays

Delivering for America has reimagined how USPS prepares for and operates during the peak holiday season. Strategic investments and operational improvements established under the plan have stabilized the permanent workforce, added more square footage in our mail and package plant network and resulted in the purchase and deployment of **249 new package sorting machines** across our network. Our larger footprint and technological upgrades have increased daily package processing capacity to **60 million**.

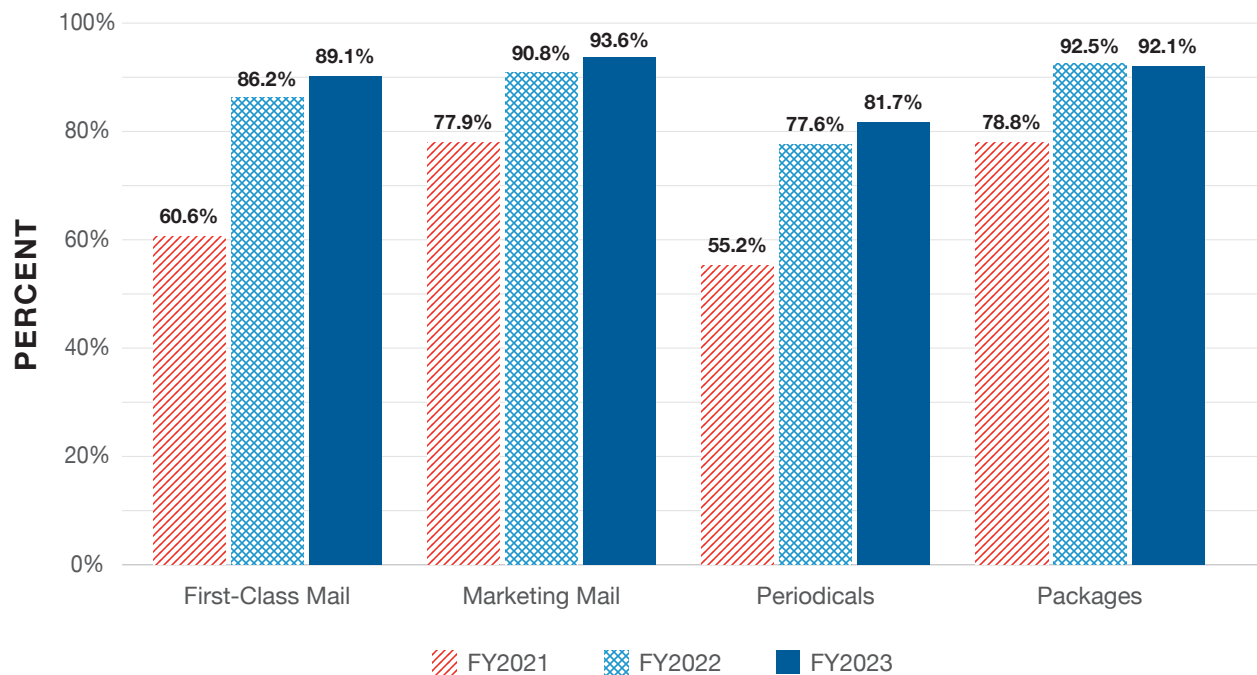
Operational reforms implemented to date also have contributed to a fresh approach to the peak season; we now begin preparations for each holiday season earlier in the calendar year to allow us to adjust transportation, staffing and capacity needs with minimal disruption and cost.

During the past two years we right-sized mail processing to better align the workforce with operational plans and equipment needs. That included reducing the overtime demand on employees, achieving predictability and precision, and improving employee engagement and retention.

These overall changes in our complement and the mix of career and pre-career employees have allowed us to fortify our workforce, rely less on part-time and seasonal employees and have a more robust year-round workforce to alleviate future shortfalls in seasonal hiring. Additionally, a more stabilized employee base allows us to provide great service to our customers relative to our competitors who seek to fill their ranks with two to three times the number of peak hires we pursue.

The changes have improved the Postal Service's peak season performance over the past two years. In the FY2021 holiday season, a record volume of **13.2 billion** letters, cards, flats and packages were handled with an average delivery time of **2.7 days**. During the FY2022 peak, the average delivery time was **2.5 days** for the **11.7 billion** mailpieces and packages handled.

Peak Season On-Time Service Performance





Secure and Timely Election Mail

The Postal Service has a long and proud history supporting our country's electoral system and we take seriously our clear and defined role to process, transport and deliver the nation's election mail, including ballots. We continually assess our capabilities to improve the operational effectiveness of our critical election mail service.

Since the launch of Delivering for America, we have created a permanent Election and Government Mail Services division. This full-time team is trained to monitor and resolve election mail issues in real time and continually educate postal employees on policies and procedures for properly handling mail-in ballots.

The 2022 midterm election cycle was the first major national election since DFA was created. As in previous elections, we performed at a very high level, delivering more than 54.4 million ballots* securely and on time between Sept. 6 and Dec. 6, 2022.

For the 2022 midterm election cycle, completed ballots were delivered from voters to election officials, on average, in **under two days**. We delivered **98.96 percent** of ballots from voters to election officials in three days; **99.82 percent** of ballots within five days; and **99.93 percent** of ballots within seven days.

* Data includes Dec. 6 U.S. Senate run-off election in Georgia. The total number of delivered ballots may greatly exceed 54.4 million. This figure includes only those ballots that were properly identified as ballots using the correct electronic identifiers and does not include many of the ballots that the Postal Service diverted from its processing network or otherwise handled outside of normal processes in an effort to accelerate delivery.



MAKING PROGRESS TOWARD FINANCIAL SUSTAINABILITY

Delivering for America established clear and precise strategies to end years of mounting losses, reverse a projected \$160 billion in losses over 10 years, and build an operation that is high performing and financially self-sustaining.

We will accomplish this goal with modest regulatory and legislative changes, the effective use of newly acquired and existing pricing authorities, more efficient operations and revenue growth through new products and more customer solutions, all while preserving our universal service mission of providing the nation with six days of mail delivery and, in some cases, seven days of package delivery.

Many of these strategies were implemented in the plan's first two years. In this short time, new revenue streams have been formed through increased package processing capabilities, new pricing strategies, modernized platforms and applications, and the launch of our suite of USPS Connect products. Cost savings also have been realized by reducing our dependence on air transportation, optimizing our ground transportation network, improving employee staffing and scheduling, eliminating redundant processing operations, and expanding the use of automation for processing packages.

After years of effort, we also achieved a major revision in our employee benefit cost obligations with the enactment of the Postal Service Reform Act (PSRA). This new law relieves USPS of the burden of pre-funding our retiree health benefit obligation and establishes a new health benefits program that is better integrated with Medicare. PSRA reduces our expenses by \$48 billion over 10 years. These moves are a step toward achieving the DFA's financial sustainability goal of covering our costs.

Just two years into the 10-year plan, projected losses for the decade have been reduced by more than half — from \$160 billion to \$70 billion. That is significant progress toward our 2030 10-year break-even goal. Even with the unexpected burden of inflation, the organization still forecasts we can achieve break-even operations by the end of DFA's 10-year period.

Originally projected losses over 10 years

\$160B

\$70B

Projected losses by realizing part of the Delivering for America plan

This improved outlook has occurred despite some fiscal stress. Inflation added an unexpected \$3 billion burden to our costs in DFA's first two years. While our improved service performance and use of our pricing authority allowed us to generate higher-than-expected revenues from some products, the continued impact of inflation on our operating expenses requires the need for additional cost controls over the remaining years of DFA to achieve our break-even goal.

We continue to manage controllable costs by optimizing our network and maximizing labor productivity. In FY2022, we reduced work hours as compared to the prior fiscal year by over 10 million hours for the first year-over-year reduction in nine years. Additionally, through February 2023, we have reduced work hours by approximately 15 million hours, heading toward the goal of two straight years of reduced work hours after eight years of increases.

We also need administrative change to address costs outside our control. The passage of PSRA is a step in that direction as it provides the legislative change that was needed, but we also need Civil Service Retirement System (CSRS) administrative reform to achieve financial predictability and sustainability. We have sought from the Office of Personnel Management (OPM) changes to reflect fair and proper apportionment of CSRS benefit costs according to modern actuarial principles, which would eliminate CSRS amortization payments and save USPS \$2-3 billion per year and up to \$34.6 billion over 10 years. It is within the jurisdiction of the Executive Branch to make the change to CSRS that we are requesting.

Key Accomplishments in DFA's 2nd Year

Our two year progress report reflects advancements made since the DFA plan was launched in March 2021. This chart reflects significant achievements made just in the second year of the plan's implementation (April 2022-March 2023).

Between April 2022 and March 2023, we made tremendous strides implementing our Delivering for America plan including:

Initiated development of a new network, plant operations and delivery unit strategy

Met yearly service targets for First-Class Mail and Marketing Mail

165M American addresses served six and often seven days a week

60M upgraded daily package processing capacity

\$48B cost reduction due to Postal Service Reform Act

8.5M more square feet of space across more than 50 locations utilized for additional storage, due to multiyear leases secured in 2021

14K electric vehicle charging stations ordered

125K pre-career workers converted to full-time career employees since Oct. 2020 (50,000 conversions between April 2022-March 2023)

149 new package sorting machines (249 in the past two years)

6 Sorting & Delivery Center openings

106K vehicle acquisition plan unveiled for deliveries through 2028. This plan consists of at least 66,000 battery-electric delivery vehicles, including at least 45,000 battery electric-powered Next Generation Delivery Vehicles (NGDVs), and 21,000 additional commercial off-the-shelf vehicles that we expect to be battery electric powered.

11 Regional Processing & Distribution Centers in development



TRANSFORMING THE EMPLOYEE EXPERIENCE

The well-being of our 635,000 employees is at the heart of Delivering for America. We are investing in both our employees and the facilities they work in. Through DFA, we are better equipping our employees so they can perform successfully on the job. We are creating a work environment that continues to value our employee safety and creates a physical work space that employees are proud to work in. Our goal is to be an employer of choice.

In the ten years prior to the DFA's launch, the Postal Service experienced incredibly high rates of turnover of our pre-career employees which negatively impacted performance and increased operational costs.

Stabilizing our workforce has been one of our greatest achievements in the plan's first two years. One of the first strategies was to convert a large numbers of pre-career employees to career status and we modified complement levels to stabilize service during the transformation. We also focused on improving our onboarding experience for employees during their first 90 days. In the second year of DFA we converted 50,000 employees, and assigned them to career positions with full benefits. Since Oct. 2020, the number has grown to 125,000 conversions to career positions.

Investing in Our Employees:

Offering **opportunities for advancement** through conversions and workforce expansion efforts:

- ▶ Implemented a **new organizational design** to improve line-of-sight, drive operational precision, and improve organizational performance.
- ▶ Continuing to **promote employee retention through new front-line supervisor tools and resources**. Launched a revised Supervisor Program in July 2022. Increased communications within the field to provide more visibility into employee videos, standup talks, and operational briefings.
- ▶ Promoting **workforce development** through defined career paths and tailored training and development opportunities. Hosted virtual supervisor job fairs for candidates — more than 28,000 employees attended.
- ▶ Cultivating a **culture of engaged, collaborative leaders**, who are empowered to make decisions, drive performance, and hold themselves and their counterparts accountable towards realizing the DFA plan.

The Power of Postmasters and Local Carriers

Postmasters have always been a direct link to our customers, serving both as stewards of our immense network of Post Offices and as champions of commerce in their local communities. Delivering for America recognizes this unique role by creating the Power of the Postmaster initiative. This initiative will enable postmasters to better help small- and medium-sized businesses get the most out of our unparalleled local, regional and national reach. This program gives postmasters new tools, including message training, to enrich community outreach, drive awareness of our transformation and provide informed guidance on how products like USPS Connect can better serve our customers' needs.

Local carriers and local Sales and Services Associates are playing a more decisive role in our growth. Carriers are a daily presence in many Americans' lives and are often the only regular connection our customers have with the Postal Service. We are upgrading their mobile delivery devices not only to improve their efficiency but also to inform them about our progress under DFA and help them serve as ambassadors for our service and product enhancements.

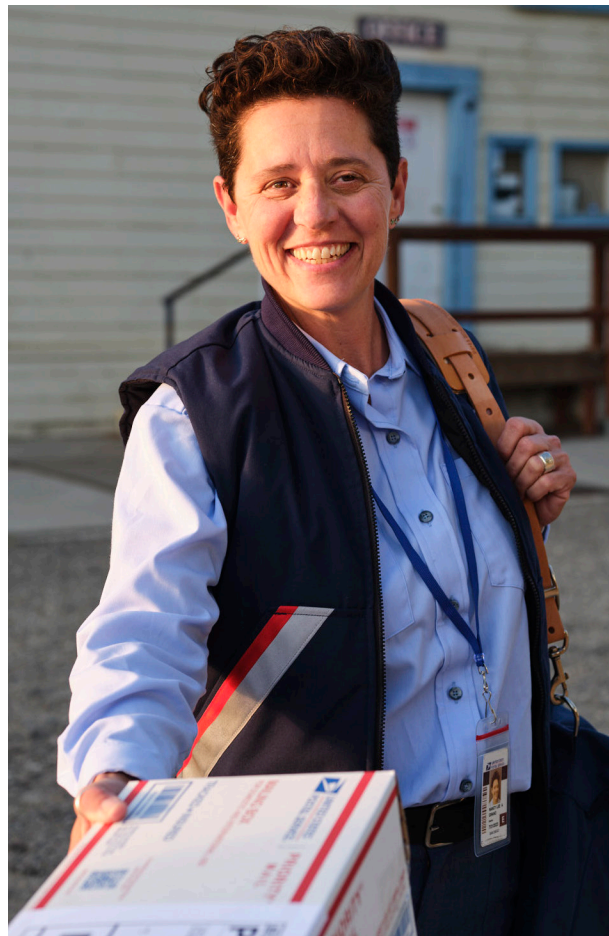
Expanded Role for Supervisors

Our front-line supervisors are an integral part of our organization. They are the leaders who oversee day-to-day operations, and their interactions with our employees and customers can influence productivity, morale and the bottom line. The supervisor role is a stepping-stone to higher-level management positions throughout the organization, and we are focused on developing and supporting employees and supervisors to build a bright future with us.

We are actively working to strengthen the candidate pools for front-line supervisor vacancies. In 2022, to help candidates showcase their job-related knowledge, skills and abilities, the Postal Service offered virtual front-line supervisor job fairs for our current employees. These informational webinar sessions educated potential

applicants about the expectations and responsibilities of front-line supervisors and provided tips on applying for postal positions and participating in job interviews. We had over 22,000 employees attend and will be hosting four additional supervisor job fairs in 2023.

As we promote new supervisors, they attend the Supervisor Apprenticeship Program — a 26 week course that was revised in July 2022; this course helps equip our newly promoted supervisors to manage pre-career employees through formal classroom training and on-the-job support. In January 2023, we also launched a training course for managers and supervisors called “Delivering the New Employee Experience,” which includes an overview of the current state of employee retention, strategies to recognize drivers and impacts of employee turnover, guidance and training for onboarding and employee retention, and tools to provide effective feedback to reinforce positive outcomes.





Investing & Developing Our Workforce

We are proud of our long history of developing and promoting our employees. Our past and future success is a result of the investment in our employees. We are continuing to offer robust employee development and succession planning programs, including a wide variety of self-paced, classroom and virtual training options; one-on-one career conversations; individualized development plans; on-the-job developmental opportunities; and a national Corporate Succession Planning program.

We are continuing to build and retain a pipeline of diverse candidates through our employee development programs starting with new hire orientation through our carrier academies and our maintenance technical training programs that we currently host at our National Center for Employee Development in Norman, OK. Since the beginning of FY2022, in the maintenance group alone we have trained over 14,807 existing employees in the last two years and trained 95,238 new hires.

In 2022, we expanded our offerings in our learning management system with over 120,000 resources

including videos, books, audiobooks, and podcasts that are relevant, accessible and accommodate various learning styles and journeys. We expanded our management and leadership training courses to reach more managers and leaders across the organization. This expansion enables us to continue to build a bench of leaders and managers outside of our formal leadership programs and succession planning.

In 2023, we implemented a standardized national approach to career conferences; employees can attend career conferences in their geographical area and internal job fairs to explore career and advancement, learn about potential career paths and network with leaders across the organization as they prepare for current roles and promotions. Promoting a culture of self-development and career growth is a key component of cultivating a stable and empowered Postal Service workforce.

Diversity, Equity and Inclusion

We are proud to be one of the most diverse employers in the nation and to serve one of the most diverse customer bases in the world. As a leading employer of traditionally underrepresented groups

and veterans, we understand that diversity, equity and inclusion (DEI) provides a richness of cultures, perspectives, experiences and backgrounds that enhances our service. Embracing DEI is not just the right thing to do. It is the responsible thing to do. It is good for our business.

Delivering for America is explicit in its commitment to DEI. As we continue to advance a DEI culture of diversity, inclusion and belonging throughout our organization, we have launched the Executive Diversity Council (EDC). It is comprised of an experienced, diverse group of senior executive leaders to advise, assist and champion key DEI initiatives to build our leadership and organizational capabilities.

We are also focused on integrating DEI practices into our employee programs and processes to drive cultural changes needed throughout our organization.

Our goal is for our workforce to represent the diverse communities we serve.

New Labor Agreements on Recruitment, Safety and Training

Over the past two years, we have worked diligently with our union and management associations to address our shared goals of employee recruitment and retention, workplace safety, and career training and advancement.

Ensuring the safety of our workforce is a core value and a top priority. By developing the high-performing operation envisioned by Delivering for America, we will create the safest and healthiest environment possible for our employees.

These efforts have already resulted in updates to our Safety Intervention and Recognition Program, which

provides best practices to address risks and hazards, in addition to enhanced human resources tools to provide actionable data for mitigating safety concerns and improving the employee experience. We have refreshed how we communicate safety and health information with our employees. We have also empowered our workforce to play a more active role in creating a safer work environment.

In 2022, we reached new collective bargaining unit agreements with the American Postal Workers (APWU) and National Postal Mail Handlers unions. The agreements included annual general wage increases, semiannual cost-of-living adjustments, continued operational flexibility through the use of an expanded postal support employee workforce, and measures designed to address critical employee recruitment and retention needs. The latter includes automatic conversions of Postal Support Employee (PSE) and Mail Handler Assistant (MHA) pre-career employees to career status following 24 months of service.

These agreements are fair and balanced and addressed both parties' bargaining objectives in a financially responsible manner while staying consistent with the objectives of the DFA plan.

Additionally, we have initiated fresh approaches to on-the-job training and mentoring for recently hired pre-career CCAs through the CCA Experience and Retention Program, and provided the New Employee Mentoring Program for Part-Time-Flexible, career employees. We have collaborated with the National Rural Letter Carriers' Association and initiated the Leave Replacement Task Force, which led to new scheduling opportunities for carriers. We continue to work with our postal unions on these initiatives and to jointly explore other ways to improve the workplace experience for career and pre-career employees, including the USPS/APWU Workplace Environment Taskforce.

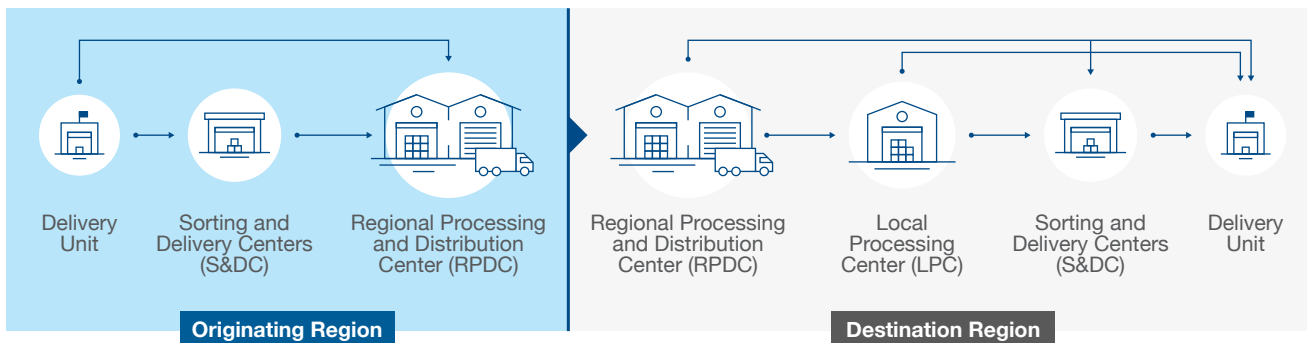


DEPLOYING A BEST-IN-CLASS PROCESSING AND DELIVERY OPERATIONS NETWORK

We achieved dramatic improvements in our service performance, network integrity and financial sustainability during the last two years despite an aging, legacy network that was near collapsing before we started our modernization effort. Our old and inefficient facilities, whose functions devolved over time without strategic focus, were filled with outdated machinery and created unpleasant workplaces. They could not be the backbone of a modern Postal Service. That is why Delivering for America called for massive reinvestment in our network to establish a modern network of new or reimagined facilities supporting redesigned processing, transportation and delivery infrastructure.

Since DFA was launched, we have committed nearly \$7.6 billion of the plan's \$40 billion self-funded investment budget to create this new network, while maintaining the high service standards we implemented in the plan's first two years. During all this, we also continued to meet our mandate to deliver at least six and sometimes seven days a week to nearly 165 million addresses.

The Future Network Flow: End-to-End Model



REDUCE COST • ON-TIME DELIVERY • SHORTEN SERVICE STANDARDS
OPTIMIZE RESOURCE & PROCESS YIELD • ENERGIZE EMPLOYEES • EXPAND USPS CONNECT REACH
ENHANCE PRODUCT OFFERINGS • CAPTURE GREATER SHARE OF 1-2 DAY MARKET

Launching New Regional Processing and Distribution Centers

Our processing network — the middle mile of the mailpiece and package journey — is being completely overhauled. We have launched a new, flexible construction program to create a modern, streamlined and effective network of clean, spacious and bright processing facilities. These, in some instances, million-square-foot-plus purpose-built or purpose-redesigned Regional Processing and Distribution Centers (RPDCs), will enable new, effective workflows that simplify the movement of all classes of mail and packages.

As much as possible, we are modifying existing buildings to perform the RPDC functions where we have good buildings with adequate space and parking to support the mission.

RPDCs are strategically important for our modernization. They will act as multi-functional distribution centers for all network originating mail and packages and all destinating packages — effectively centralizing all metro-area originating processing operations in a single building, with crossdocking and other functionality as required in the specific region. Our RPDCs will serve as package powerhouses with state-of-the-art equipment.

Design for 11 new RPDCs is underway (Atlanta, GA; Richmond, VA; N. Houston, TX; Greensboro, NC; Santa Clarita, CA; Portland, OR; Charlotte, NC; Chicago, IL; Indianapolis, IN; Jacksonville, FL; Boise, ID). Four RPDCs will be opened in 2023 (Atlanta, Richmond, Charlotte, and Chicago). In the coming years, we expect to open about 60 RPDCs across the country.



Our new Regional Processing & Distribution Center in Atlanta, GA

From Processing to Delivery: Laying the Groundwork for New Local Processing Centers

While the Regional Processing and Distribution Centers (RPDCs) form the backbone of the future network that meets the needs of the Delivering for America plan to move mail and packages more cost effectively and deliberately across the nation, these locations are only one element of the processing solution within each Region.

In the first two years of DFA, we developed and matured our future network model to aggregate processing facilities into both RPDCs and newly designed Local Processing Centers (LPCs). LPCs are designed to connect RPDCs to delivery operations with the primary mission of sorting letter and flat mail to carrier route or delivery walk sequence and serving as a transfer center to aggregate product on its way to delivery.

For these new LPCs, we will leverage existing sites such as former Processing and Distribution Centers (P&DCs). The LPC locations are an essential component of the network. Creating the LPC operation as a separate and distinct functional unit from the network RPDC function will allow the Postal Service to standardize operations across regions and provide specific management focus on local letter and flat operations. This concept leverages the existing investment in people, equipment, and buildings, while allowing a transformation in the regional mail flow that captures significant operational and logistics savings. As with the RPDC process, LPCs will be configured during implementation and in compliance with the overall network design parameters.

These facilities will need significant investments to correct for the years of deferred maintenance and removal of equipment and features no longer necessary for the intended operations.

In certain locations, the LPC will be collocated with the RPDC. These decisions will be based on space, volume analysis, and current building conditions and will be finalized in our engineering design phase. In collocated locations, the LPC will perform the same functions as the separate LPC and will follow the same standardized processes and mail flows. The benefit of collocated buildings is a 100% reduction of transportation from the RPDC to the LPC.

Delivery Integration

In many LPCs that will be created within former P&DCs, there will be space available to add a Sorting and Delivery Center (S&DC) within the same building. The space will be created due to the migration of package processing and outgoing operations to the RPDCs. The S&DC will be a self-contained operation within the LPC.

The benefit of collocated buildings is a 100% reduction of transportation from the LPC to the S&DC. Additionally, the LPCs, as former P&DCs, have pre-existing infrastructure such as adequate dock doors, plenty of parking, and sufficient power to begin introducing electric delivery vehicles in a more cost appropriate and deliberate manner.

Purpose and Benefits of Local Processing Centers

LPCs will play an important role in our modernized network including:

- Perform the primary sort for destinating letters
- Sort destinating letters into carrier walk sequence
- Perform destinating flats processing
- Include enough space to add a Sorting and Delivery Center
- Transport mail volume downstream to other Sorting and Delivery Centers
- Transport mail volume downstream to other Delivery Units



Opening of New Sorting and Delivery Centers

During the plan's second year we started to revitalize our network of nearly 19,000 delivery units (DUs), the last stop for mail and packages before they are delivered by our carriers. Historically, DUs were opened to meet growing demand, which ultimately created clusters of facilities close to each other, especially in busy metro areas. In addition to the inherent cost of maintaining these many DUs, this network had become operationally inefficient.

We have targeted key markets where we can aggregate delivery units into fewer, larger, centrally located Sorting and Delivery Centers (S&DCs) — leveraging both repurposed and new facilities — to provide faster and more reliable mail and package delivery over a greater geographic area. This S&DC network will optimize delivery in our busiest markets and remove many of the impediments that currently slow down our operations.

Our first S&DC, opened in Athens, GA last fall, is already demonstrating operational benefits. In February 2023, we opened five new S&DCs in Gainesville, FL; Panama City, FL; Woburn, MA; Utica, NY; and Bryan, TX. We are currently evaluating more than 100 new S&DC locations nationwide.

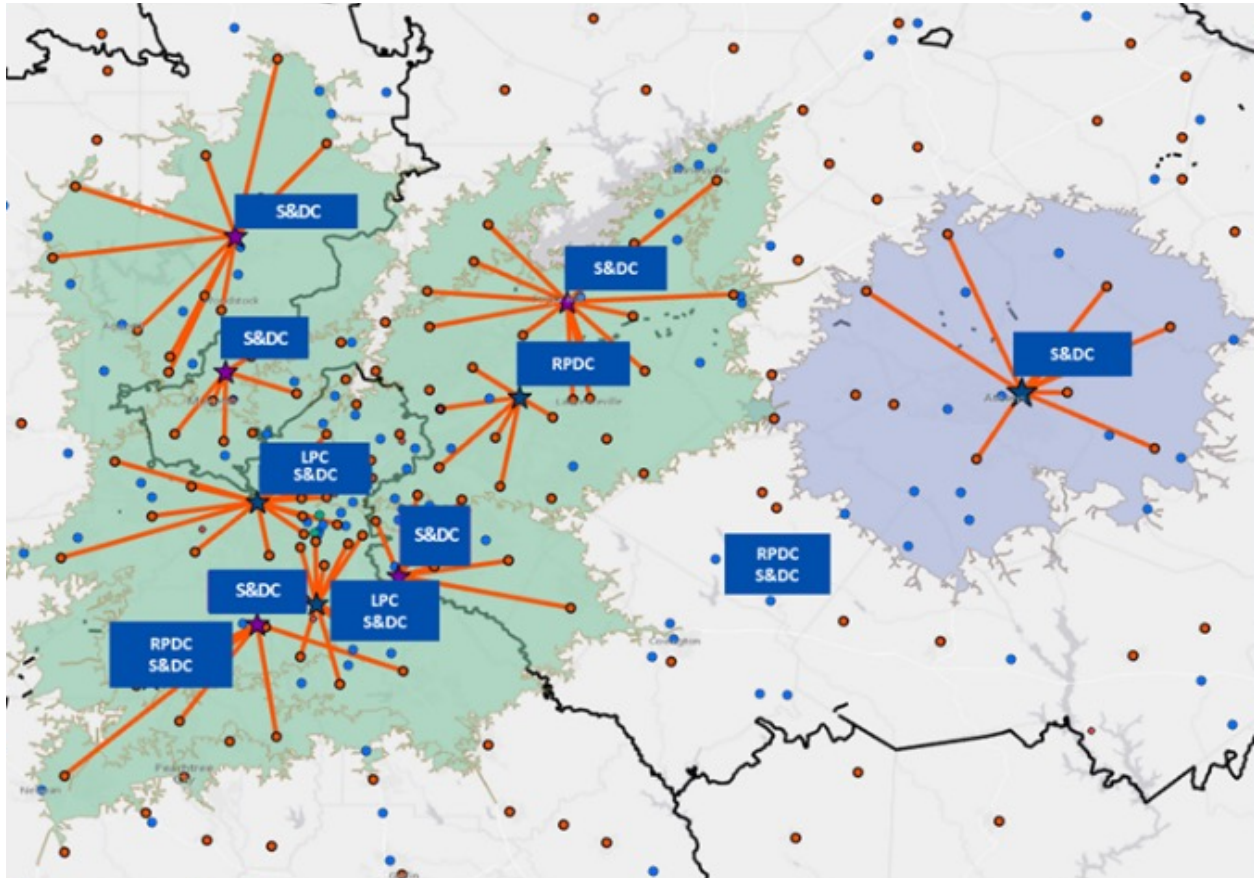
There Will Be No Post Office Closures or Employee Layoffs as Part of Our S&DC Roll Outs

As new S&DCs are opened, customers will see no changes to their local Post Office retail operations. No Post Offices will be closed and PO Box delivery will remain unchanged.

Our employees will benefit from this new model through new, modern workplaces. There will be no employee layoffs as part of this effort. Any movement of employees will be done in accordance with the respective collective bargaining agreement.

USPS' new Sorting & Delivery Centers will offer businesses and customers a better approach to shipping packages quickly and affordably directly to local customers through the following benefits:

- Quickly reach **200,000 customers** in one local market
- Expanded **same-day/next-day** shipping across the region from 1 convenient location
- **99.7% on-time** performance from one entry point
- **Convenient returns**, back in one day
- **New Product Offerings:** USPS Connect Local and Ground Advantage (coming Summer 2023)



New Sorting and Delivery Centers are a core component to our network modernization efforts.

A FULLY OPTIMIZED SURFACE AND AIR TRANSPORTATION NETWORK

A new footprint of processing and delivery facilities will allow us to completely transform our ground transportation model. Before Delivering for America, we vastly underutilized our trucks. Many trucks left facilities half-full because mail and packages needed to be moved between too many locations. It was also due to mail and package processing schedules that were not always aligned to the transportation schedules. This issue was common across our entire network, from long-haul journeys across the country to trips between processing facilities and delivery units. This approach was unsustainable.

While a fully efficient transportation system will only be possible once our new network of facilities is fully operational, we have already addressed some key issues. Optimization of truck routes, combined with improved tracking of every mailpiece as it travels through our network, is helping us eliminate superfluous trips and ensure our trucks leave facilities with fuller loads while meeting our service standards.

DFA has also refocused our use of contracted air transportation since we do not own a private fleet of airplanes. Before our modernization plan began, we were beholden to the complexities and inefficiencies of the airline industry for transporting mail long distances to meet our service standards. This dependency was especially evident during our peak season when weather disruptions used to make the air transportation system very unreliable.

Two years into DFA, we aligned our service standards and have shifted air volume to our reliable ground network. Two very successful holiday seasons have proven that our greater reliance on ground transportation is the right strategy.

Making Strategic Investments In Our Facilities and Technology

Prior to Delivering for America, we under-invested in our facilities for decades due to our dire financial situation. The majority of our facilities have been neglected and need major investments. This wholesale transformation of operations will take years to complete. Our success is predicated on strategic investments throughout the next decade to ensure operational integrity while we create our new, modern network.

These investments have been critical to our operational success during the first two years of DFA. Since launch of our plan, we have expanded our footprint by 8.5 million square feet by leasing 52 multi-year annexes — including 46 parcel support annexes.

We purchased and deployed 249 package sorting machines — including 137 in 2022 alone — to increase our daily package handling capacity to 60 million.

Robotic induction and vision systems have also enhanced our automation systems and improved our processing efficiencies. We also continue to investigate ways to employ technologies like artificial intelligence to enhance the effectiveness of our network and improve the service we provide our customers.



249 package sorting machines installed across the country.



Increased daily package handling capacity to 60 million.



DELIVERY VEHICLE FLEET STRATEGY

Modernizing our mail delivery fleet is a critical part of Delivering for America. From the start, we committed to purchase the most environmentally sustainable vehicles across our entire ground fleet consistent with financial and operational considerations, with the understanding that the electrification of our fleet could be accelerated as our strategy evolved, as technology improved, and as our financial condition stabilized.

Backed by the support of Congress – and \$3 billion in congressional funding appropriated under the Inflation Reduction Act (IRA) – in December 2022, we unveiled – together with senior officials from the Biden Administration – a 106,000-vehicle acquisition plan for deliveries through 2028. This plan consists of at least 66,000 battery-electric delivery vehicles, including at least 45,000 battery electric-powered Next Generation Delivery Vehicles (NGDVs), and 21,000 additional commercial off-the-shelf vehicles that we expect to be battery electric powered. This plan was also enabled by the Postal Service’s overall network modernization efforts which allow for a more rapid deployment of EVs, and our improving financial condition, which includes funds from the IRA.

We expect all NGDVs delivered from 2026 and commercial-off-the-shelf vehicles added between 2026 and 2028 to be 100 percent electric, and we continue to explore the feasibility of achieving 100 percent electrification of our delivery fleet.

In February 2023, we made a big step forward with our EV implementation plan – awarding contracts for more than 14,000 charging stations and the purchase of more than 9,000 commercial off-the-shelf battery electric vehicles.

- ✓ Feasibility of achieving 100% electrification for the overall Postal Service delivery vehicle fleet will continue to be explored.
- ✓ Beyond vehicle mix changes, postal network modernization efforts will drive additional substantial carbon reductions through logistics improvements and reduced transportation.
- ✓ Total investment expected to reach \$9.6 billion including \$3 billion from Inflation Reduction Act funds.
- ✓ We are committed to the fiscally responsible roll-out of electric-powered vehicles for America’s largest and oldest federal fleet which remains ambitious and on schedule.



NEW TECHNOLOGY TO EQUIP OUR EMPLOYEES AND MOVE MAIL AND PACKAGES MORE EFFICIENTLY

As part of Delivering for America, we have made significant investments in our outdated technology for our people and facilities to better process and transport mail and packages. These investments are enabling best-in-class processing and delivery operations. We will continue to roll these technology solutions out over the coming years.

Modernize Customer Platforms

We will continue to modernize our customer platforms to provide a full-featured, one-stop-shop solution allowing businesses to reach their customers by offering same-day, next-day, and two-day delivery. Our customers will benefit through frictionless onboarding with expanded access to products and contract pricing, unlimited labels, and simple integration with marketplaces using Application Program Interfaces (APIs). We will continue to evolve the APIs to support new products, smarter solutions and customized support for marketplaces and shipping platforms to enable flexible shipping solutions.

- **Informed Delivery:** We will expand our Informed Delivery product, a free service that enables customers to view images of incoming mail and receive real-time status updates on incoming and outbound packages. We will migrate the platform to the cloud to support the increase in subscriber base from approximately 50 million today to a planned 120 million subscribers and expand our suite of capabilities to track campaign effectiveness and enable enriched communications.

- **Product Tracking and Reporting:** We will modernize and rearchitect the Product Tracking and Reporting System (PTR), our visibility platform that provides customer access to package tracking intelligence. It will leverage cloud technologies to provide a fully scalable, resilient, real-time processing system to ensure availability and disaster recovery. On a local level, mobile delivery devices also access data about each carrier's daily route to provide better insights into how we deliver mail and packages to reduce cost, improve service and extend our reach.

Modernize Digital Network

We will continue to enhance our ability to provide a state-of-the-art digital network that provides 99.9% availability, 99.9% wireless coverage through modernization of WAN circuits and LAN WIFI at 32,000 retail locations.

Modernize Infrastructure

We will provide best-in-class cloud platforms for critical, high-volume applications such as PTR, Informed Delivery, and Informed Visibility, for an on-demand and scalable infrastructure. We will evaluate mission critical applications for replacement with market-leading Software-as-a-Service (SaaS) offerings. We will deploy new servers, storage, and software services in the data centers to provide industry leading architecture

platform capabilities leveraging microservices, event streams, APIs, and scalable data stores, for applications to run in the data center and in the cloud.

Modernize Digital Workspace

We will deliver secure end-user solutions, services, and support with communication and collaboration tools to accelerate productivity. We will measure user experience to ensure endpoints, applications, and services are performing at optimal levels and meet the business needs of the user. We will leverage automation, artificial intelligence, and machine learning for management of endpoints to provide a seamless user experience.

Strengthen Cyber Security Posture

We will transition from a traditional network-based security architecture to a zero-trust based architecture. Users and devices will be continuously authenticated, authorized, and validated before being granted or keeping access to applications and data. We will leverage artificial intelligence and machine learning to automate the detection and remediation of vulnerabilities in the environment and detect anomalous behavior.

Develop Talent and Promote Modern Capabilities/Technologies

We will implement onboarding steps that engage team members quickly to leverage their skills and experience, expediting modernization initiatives. We will establish a best-in-class, technologically talented workforce through focused recruitment and engagement processes that attract and retain high-quality personnel. This initiative will identify and close skill gaps and encourage employee development with pre-defined learning paths around specific courses of study. Skill areas will include: microservices, event streaming, multi-cloud development, and AI techniques such as machine learning, natural language processing, and image processing.

Investing in IT Infrastructure

Since the launch of our Delivering for America plan, we have made significant investments in our IT infrastructure including:

- ▶ More than 286,000 new mobile devices to improve tracking visibility and service.
- ▶ More than 135,000 convertible laptops deployed on our workroom floors to better equip front-line personnel to move and track mail and packages.
- ▶ More than 12,000 new WAN circuits with LTE backup provided to improve increased usage of data streaming and user experiences at Postal locations.
- ▶ Updating legacy logistics systems to increase operational efficiency and excellence
- ▶ New customer integration technologies including:
 - USPS Ship, USPS APIs, expanded Click-N-Ship online experience.
- ▶ Modernized Integrated Logistics Ecosystem enabled by best-in-class Software-as-a-Service (SaaS) platforms in three key areas:
 - Contracting – Digital solution for transportation solicitation and contract management enabling process standardization and competitive contract analysis
 - Transportation Management System (TMS) – Advanced capabilities for centralized transportation schedule and trip management, including digital supplier interaction for real-time extra capacity requests and automated payment
 - Visibility – Expanded real-time transportation visibility using industry-proven approaches for GPS and other sensor data collection, visualization, and operational response
- ▶ Development of leading-edge technical capabilities to support business system modernization including:
 - Microservices
 - Event streaming
 - Multi-cloud capabilities
 - Machine learning
 - Natural language processing
 - Image processing in the processing facilities
 - Improved national digital networks
 - Improved end-point devices
 - Upskilled workforce

CREATING A BETTER CUSTOMER EXPERIENCE AND MODERN POST OFFICES

We operate America's largest retail network, with more than 31,000 Post Offices and more than 6,100 retail business partners serving communities across the country. More than 95 percent of the American population has a Post Office within five miles of where they live, and 99 percent of the population is covered within a 10-mile radius.

Delivering for America seeks to address years of underinvestment in our retail and delivery system. In addition to our multi-billion dollar commitment to modernize our mail delivery fleet, we are also investing in and redesigning our retail locations to make them modern, welcoming go-to destinations that meet our customers' needs. Our retail locations, clerks, carriers and postmasters are pivotal to achieving our goal of strengthening our connection with our local communities.

We intend that our Post Offices will provide local communities with the services essential to their growth. Our retail infrastructure is being modernized and refreshed. Self-service and digital tools, along with locker technologies for mail and package pickup and drop-off, will supplement a workforce focused on service excellence and enhancing the profile of new products.

We are also building on our successful, decades-long partnership with the U.S. State Department for processing passport applications. Introducing and expanding public trust services such as identity verification programs that streamline federal jobs and contracts applications, biometric data capture and notary services are among the possibilities.

Going the Last Mile

We already operate the country's most extensive last- and first-mile network, reaching nearly 165 million addresses six and often seven days a week. Even as the workload placed on our employees and facilities continually grows as more than a million extra delivery points are added to our network every year, our carriers are extremely reliable and have a daily presence in their neighborhoods and communities. Investments in technologies made in the first two years of the plan are optimizing the effectiveness of our delivery network, and new offerings such as the USPS Connect product suite have opened new revenue streams from our existing operations.

Our delivery network is key to providing service excellence. Our business and residential customers expect near-real-time information on the location of their packages and mail, and through new scanning initiatives, we have dramatically improved our data transparency. This improvement, combined with new operational discipline and improved communication throughout our extensive retail and delivery network, has also increased the reliability of our processing and delivery networks.

Since March of 2021, we have launched new programs, resources and offerings designed to adapt to the evolving needs of our customers, while also positioning us to become the preferred and most-used delivery service provider.

- 1** Launched **Prepaid Acceptance Scanning**, a new nationwide service offering that allows customers to get a receipt and track prepaid package drop-offs at all retail Post Office self-service kiosks.
- 2** Surpassed **50 million users for Informed Delivery** and completed 160,000 advertising campaigns through the service offering.
- 3** Partnered with top e-commerce companies to expand our very successful Label Broker® service, our mobile label printing platform that enables customers that do not have a printer at home to get a QR code and print a label at our Retail locations. The Label Broker has been integrated into our do-it-yourself printing at our Self-Service Kiosks and Rapid Drop Off Stations to provide 24/7 access. Label Broker volume is doubling year-over-year and its volume is now nearly 2 million labels printed per month.



A MORE POWERFUL PRICING STRATEGY AND PRODUCT PORTFOLIO

A More Rational Pricing Approach

Since 2021, we have employed the more rational pricing strategy envisioned by Delivering for America. Through judicious and prudent strategies, we are leveraging a new pricing authority granted that same year, as well as already existing authority, to optimize revenues across all products.

To most effectively leverage this new pricing authority, we now implement two rate changes annually, one in January and the second in July. These rate changes will help mitigate years of pricing imbalances and offset our exposure to inflation. By the end of DFA's 10-year transformation and modernization, we expect our new pricing policy to generate \$44 billion in additional revenue.

While the new pricing structure limits any individual increase, it provides more flexibility to price various mail categories within classes, such as First-Class Mail and Marketing Mail, depending on market and demand conditions. Rebalancing our pricing over the coming years will ensure our financial sustainability and restore our ability to invest in the future and provide the nation with appropriate, affordable prices.

1 Market-Dominant Price Change

Our prices remain among the most affordable in the world. After using our new authority for the first time in August 2021, we forewent an increase in January 2022; then made modest increases in July 2022 and January 2023. In April 2023 we filed notice with the PRC of mailing services price changes to take effect July 9, 2023. Among other items, the new rates include a 3 cent increase in the price of a First-Class stamp from 63 cents to 66 cents.

These increases help offset the rise in inflation.

2 Competitive Price Change

We used competitive market pricing to align rates with the marketplace and provide the Postal Service with much needed revenue. During this past peak season, we leveraged a time-limited price change, the same as in 2022 and in line with the industry's approach.

Our Expanded Product Portfolio

Improving Package Delivery For America

Over the past year, the Postal Service has focused on improving its package offerings by enhancing service reliability, lowering prices and simplifying shipping product offerings:

- **Lower Prices for Ground Shipping Services.** In January 2022, USPS implemented new pricing for Shipping Services. As a result of implementation of approved price changes, shipping rates for USPS Retail Ground products reduced by seven percent, and rates for Parcel Select Ground reduced by 12 percent, on average. USPS Retail Ground and Parcel Select Ground prices remain at the lowered January 2022 rates. Pricing tables are available on the Postal Service's Postal Explorer website at pe.usps.com/text/dmm300/notice123.htm
- **Improved Reliability Through Upgraded Service Standards.** In August 2022, USPS implemented upgraded service standards for USPS Retail Ground and Parcel Select Ground products, aligning service standards with the current First-Class Package Service product within the contiguous United States. Service standards for these products were accelerated from two to eight days to two to five days for the same affordable price.
- **Simplifying Shipping Product Offerings.** In October 2022, USPS was granted approval by the Postal Regulatory Commission (PRC) to remove USPS Retail Ground from the competitive product list, eliminate the Parcel Select Ground rate category from within the Parcel Select product, and expand First-Class Package Service to 70 lbs., among other enhancements. More recently, we have sought to rebrand the new combined offering into a single ground package product which we will call USPS Ground Advantage.

USPS Connect

The transformation and modernization of our operations and infrastructure allows us to provide our customers with greater access to our network and offer new products that leverage our unique connection to every community in America.

USPS Connect is a prime example of how Delivering for America creates value for our customers and new opportunities for the Postal Service. This suite of services is designed to provide businesses of all sizes with direct access to our network with affordable same-day and next-day delivery and returns shipping in local and regional markets.

We successfully rolled out USPS Connect — including USPS Connect Local and USPS Connect Regional — across the country during DFA's first two years and the initial response from our customers has been positive. The potential of the new suite of services will be maximized when we complete the realignment of our network.

The USPS Connect Local program offers new, affordable package and document delivery options for small to mid-sized businesses. The program is currently available in 50 states and the District of Columbia and more than 27,000 customers have registered so far. There are nearly 3,500 offices in the program nationally, and we are running a Connect Local Mail Market Test for inexpensive same day and next day delivery of important documents within a local community.

By offering direct access for mid- to large-sized shippers, USPS Connect Regional has garnered \$1.1 billion in revenue through increased package volumes. The program also launched its e-commerce platform for shipping integration.



Delivering for America projects \$24 billion in net package revenue growth. As we implement DFA, we expect USPS Connect program to be one of our main revenue and growth contributors and position USPS as the preferred delivery service provider.

Ground Advantage

In February 2023, USPS notified the Postal Regulatory Commission (PRC) of its intent to rename the First-Class Package Service product (which will be a combination of USPS Retail Ground, Parcel Select Ground, and First-Class Package Service) and introduce the Postal Service's enhanced ground product — USPS Ground Advantage. Upon approval by the PRC, the Postal Service anticipates bringing this product to market in summer 2023.

Strengthening the Value of Mail

USPS continues to promote and strengthen the value of mail. Since the launch of the Delivering for America plan, USPS is driving the use of mail in local communities through product programs and enhancements to generate value and revenue.

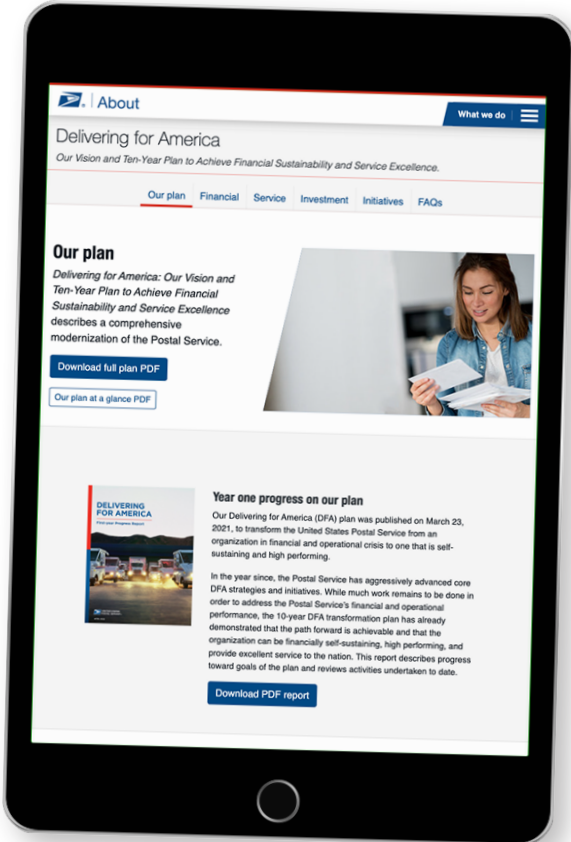
- ▶ **Connect Local Mail** offers expected same- and next-day delivery in select locations for sending urgent documents
- ▶ **Every Door Direct Mail (EDDM) Rollback** decreases the price of EDDM-Retail to pre-COVID levels to support small businesses, while also rebounding revenue and volume for the product
- ▶ **Plus-One** provides the option for customers to add a card to saturation marriage letter mailings
- ▶ **First-Class commercial large-sized postcard** provides more space for messaging and design elements, while maintaining the same delivery speed as First-Class Mail
- ▶ **Promotions** encourage marketers, printers and mailers to try out new technologies and print techniques, driving higher engagement and responses, and increasing the return on investment

BUILDING AWARENESS AND ENGAGEMENT FOR OUR PLAN AND PROGRESS

Communicating the value and service of USPS is a significant element in building awareness of the Delivering for America. It is important to provide a unified brand voice to our employees, customers, the mailing industry, the media, Congress and the American people.

The March 2021 launch of DFA was a cohesive, organization-wide and integrated communications effort to reach key audiences — including the media, USPS employees, Congress, industry customers and the American public.

Our DFA website — usps.com/deliveringforamerica — proactively communicates every aspect of the plan. The site is continually updated with relevant successes documented on numerous fronts to include network transformation, (planned) investment strategy, employee recruitment and financial outcomes. This site has multiple source documents that can be easily downloaded for examination.



USPS.com/deliveringforamerica (As of March 6, 2023)

 **40,472**
DFA Plan PDF Downloads

 **23,618**
DFA Plan at a Glance Downloads



A SUPPORTIVE LEGISLATIVE AND ADMINISTRATIVE FRAMEWORK

An urgent pillar of our plan was enactment of the Postal Service Reform Act into law, which occurred on April 6, 2022. That enactment will reduce USPS retiree health benefit expenses \$48 billion, lowering future premium costs and brings the Postal Service closer to the practices of other large employers and to financial sustainability by eliminating our retiree health benefit pre-funding obligation and establishing a new health benefits program that is better integrated with Medicare.

We look forward to working with the Biden Administration on appropriate accounting modifications for Civil Service Retirement System (CSRS) funding.

Retiree Health Benefits Obligations

The Postal Service Reform Act (PSRA) of 2022 was enacted in April 2022 (Public Law No: 117-108). PSRA eliminates the 2006 Postal Accountability and Enhancement Act pre-funding mandate and requires most future postal retirees to enroll in Medicare in order to receive federal employee health benefits.

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CSRS Funding

We have sought from the Office of Personnel Management (OPM) changes to reflect fair and proper apportionment of CSRS benefit costs according to modern actuarial principles, which would eliminate CSRS amortization payments and save USPS \$2-3 billion per year and up to \$34.6 billion over 10 years. We will continue working with the Executive Branch to realize these changes.



FOCUSED ON: DFA YEAR 3 PRIORITIES

In the year ahead, USPS's Delivering for America priorities include:

- 1. Modernizing Our National Network Region by Region** — As part of our \$40 billion investment in the outdated and outmoded postal network, we will continue to implement our new National and Regional Processing and Distribution Network which involves the reconfiguration and equipping of hundreds of facilities in strategic locations across the nation.
- 2. Expediting Local Service Through New S&DCs** — As we modernize our network, we will continue to open new Sorting & Delivery Centers (S&DCs) in local markets. These S&DCs will allow us to process and deliver mail and packages with faster service between local retailers and consumers through expanded same-day/next-day shipping across the region from one convenient location.
- 3. Electrifying and Deploying Our New Vehicle Fleet** — As part of our financially prudent plan to replace our aged delivery vehicle fleet, we will acquire 106,000 new vehicles including 66,000 electric vehicles and supporting electric vehicle infrastructure. We expect our first electric vehicles to be out on routes in late 2023 and intend to purchase 100% electric Next Generation Delivery Vehicles for our fleet beginning in 2026.
- 4. Elevating The Employee Experience and Career Pathways** — As one of the largest employers in the United States, we will continue our work to become a best-in-class employer through continued enhancement of our employee and supervisor experiences, including the redesign of our new hire orientation, added focus on improving employee's first 90 day experience, equipping supervisors with tools, training, and resources to drive a culture of performance, accountability and engagement, and by creating long-term career pathways with the USPS.

- 5. Continued Refinement of Our Organization To Become A World Class Logistics and Delivery Service Provider** — We will continue to adjust and improve our organizational structure and alignment to create high performing collaborative work teams to serve our customers and compete for new business.
- 6. Offering New, Competitive Products and Services For Customers** — As we seek to grow revenue, we will continue to streamline our products and services – including the national roll-out of USPS Ground Advantage. This new product simplifies our package options for customers by incorporating three products – USPS Retail Ground, Parcel Select Ground, and First-Class Package Services – into one, USPS Ground Advantage. This new product will provide competitive pricing and offer 2-day to 5-day delivery for businesses of all sizes and the American people. We will also identify opportunities to upgrade Priority Mail service levels to strengthen our product offering. As we pursue new shipping solutions, we will continue to offer new promotions to encourage innovative and effective uses of mail that enable relevancy.
- 7. Optimizing our Ground Transportation Network** — We will improve our transportation performance—optimizing our ground transportation and reducing dependency on historically unreliable and more costly air transportation. As we shift from air to ground, we will leverage technology to optimize truck routes, and better track every mailpiece as it travels through our network. These efforts will help eliminate underutilized trips, reducing carbon burn, and ensuring fuller truckloads that meet our service standards.
- 8. Pursuing CSRS Reform** — We will continue to work with the Executive Branch to secure changes we have sought from the Office of Personnel Management to reflect fair and proper apportionment of Civil Service Retirement System (CSRS) benefit costs according to modern actuarial principles. This correction would eliminate CSRS amortization payments and save the USPS \$2-3 billion per year and up to \$34.6 billion over 10 years.
- 9. Stabilizing Operations to Improve Service Reliability** — We will continue to stabilize our operations by updating policies and procedures, deploying new technology and package sortation equipment, and reconfiguring our facilities to improve flow, reduce processing delays and operational costs and improve overall performance.
- 10. Positioning USPS as The Greenest Way to Mail and Ship** — Through our mission, we are mandated to deliver to every address six, and often, seven days a week. Since we are traveling to every household, we will be the most environmentally friendly way to mail and ship. Through a variety of initiatives, we are positioning USPS as a leader in carbon footprint reduction. Our processing facilities will be upgraded, with more energy efficient equipment, lighting, and more. Network transportation will move from planes to underutilized, already-in-motion trucks, significantly reducing transportation carbon burn. As mail and packages ride to each address, they will ride on new electric delivery vehicles. We will leverage these opportunities concurrently, while maintaining our cost and operational effectiveness. Over the next 10 years, our newly established Environmental Council will guide our approach and ensure alignment of our environmental strategy to the Delivering for America Plan.
- 11. Investing in Modern Technology Solutions for Our Facilities, Customers and Employees** — In addition to equipping our facilities and carriers with updated technology to expedite the processing and delivery of mail and packages, we will continue to modernize our customer platforms to provide a full-featured, one-stop-shop solution. We will continue to expand Informed Delivery to effectively reach consumers through the pairing of digital tracking and physical delivery. We will develop new reporting tools for customers to identify service hotspots more quickly. Furthermore, we will establish a best-in-class, technologically talented workforce through focused recruitment and engagement processes that attract and retain high-quality personnel.



OUR PATH FORWARD

The first two years of our Delivering For America plan delivered for USPS and the American people. The plan is working and provides a clear direction for our route forward. Delivering for America is actively positioning the Postal Service to become a high-performing organization.

As we enter our third year under DFA, our success depends on continuing to make the necessary changes that will benefit the future of our organization for the good of the American public.

Prior to DFA, we had under-invested in our treasured organization and our people for decades. We had poor service scores, space-constrained and deteriorating facilities, low employee retention, high overtime rates and aging vehicles.

Going forward, that will all change as we pursue a thoughtful, deliberate and strategic approach to service excellence that will enable us to better serve our customers.

As a high-performing organization, we will hire, develop and retain the most capable and diverse set of employees. We will offer better customer service and operational performance as we continue offering affordable delivery to nearly 165 million addresses across the country, six and seven days a week.

Our future is bright and hopeful. We are on the road to becoming a financially self-sustaining and high-performing organization that will provide the American people with the quality and service they expect and deserve. It is an exciting and critical time for the United States Postal Service. We are just getting started.

