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USPS Suppliers,

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

As part of our communications plan to keep our suppliers fully informed of all major initiatives affecting them, please see the recently released information from the U.S. Postal Service.

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

Thank you!

U.S. Postal Service Reports \$2.0 Billion Loss in Quarter 3

Despite 2.0 Percent Revenue Increase

- *Shipping and Package Services Revenue Up 6.6 Percent*
- *January Price Increase Offsets Continued Volume Loss in First-Class Mail, Driving All Mail Revenue Up \$424 Million*
- *Need for Comprehensive Legislation Remains Urgent*



The U.S. Postal Service ended the June 30, 2014, quarter with a net loss of \$2.0 billion, compared to a net loss of \$740 million for the same period last year. The Postal Service has recorded a loss in 21 of the last 23 quarters, the excepted quarters being the two in which Congress rescheduled the Retiree Health Benefits prefunding payments.

Revenue continues to improve as a result of the Postal Service's January mail price increase, successful sales and marketing initiatives, and continued success in growing the package business. Total operating revenue of \$16.5 billion increased by \$327 million, or 2.0 percent, compared to the same period last year.

Shipping and Package revenue was up 6.6 percent. Standard Mail revenue was up 5.1 percent, driven by a 0.9 percent increase in volume and the January 2014 price increase. First-Class Mail volume was down 1.4 percent, but the January price increase offset this decline, resulting in a 3.2 percent revenue increase.

"We're seeing momentum in our package business and continued use of direct mail as an advertising medium," said Postmaster General and Chief Executive Officer Patrick Donahoe. "We've been effective in developing and marketing our products, and we're improving how we leverage data and technology—all providing a higher return on mail for many customers and causing them to take a fresh look at the Postal Service."

Total operating expenses for the third quarter of 2014 were \$18.4 billion, an increase of \$1.5 billion from the same period last year, driven mainly by the Workers' Compensation fair value adjustment. Compensation and benefits expenses increased by \$15 million, or 0.1 percent, compared to the third quarter of 2013, as contractual pay increases were offset by work-hour reductions and more efficient use of available labor flexibility.

"Due to continued losses and low levels of liquidity, we've been extremely conservative with our capital, spending only what is deemed essential to maintain existing infrastructure," said Chief Financial Officer and Executive Vice President Joseph Corbett. "To continue to provide world-class service and remain competitive, we must invest up to \$10 billion to replace our aging vehicle fleet, purchase additional package sorting equipment, and make necessary upgrades to our infrastructure."

Corbett also said that the organization will be unable to make the required \$5.7 billion retiree health benefit prefunding payment to the U.S. Treasury, due by Sept. 30, 2014. Comprehensive postal legislation is necessary to eliminate this liability and provide a basis for the Postal Service to return to long-term financial health.

This quarter's results were improved as a result of implementing the exigent price increase, which the Postal Regulatory Commission has ruled should be reversed in 2015. The Postal Service has petitioned the United States Court of Appeals for the District of Columbia Circuit to review the PRC's order on the exigent price increase. Among other things, the Postal Service's position is that the PRC improperly and artificially limited the amount of relief to which the Postal Service was entitled as a result of the Great Recession.

Following is a summary of third quarter results of Operations compared to same period last year.

- Total mail volume of 37.7 billion pieces compared to 37.8 billion pieces.
 - Shipping and Package volume increased 7.7 percent.
 - Standard Mail volume increased 0.9 percent.
 - First-Class Mail volume declined 1.4 percent. This was the 32nd consecutive quarterly decline for First-Class Mail volume.
- Operating revenue of \$16.5 billion increased \$327 million or 2.0 percent.
- Operating expenses before non-cash Workers' Compensation and Postal Service Retiree Health Benefit Fund expenses of \$16.5 billion increased from \$16.3 billion, a 1 percent change.

The Postal Service receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund its operations.

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Greening Our Fleet

USPS Joins Initiative to Improve Fuel Efficiency



The Postal Service recently joined a federal initiative to cut fuel costs and air emissions.

As a member of the Environmental Protection Agency's (EPA) SmartWay Transport Partnership, USPS will receive new tools to track and reduce emissions and fuel use.

The program will help the Postal Service continue its efforts to integrate environmentally responsible business practices into daily operations, said Chief Sustainability Officer Thomas G. Day.

"This opportunity will allow us to advance our sustainability goals, while reinforcing our commitment to customers who also value sustainable transport," Day said.

More than 3,000 businesses and other organizations have joined SmartWay since EPA started the voluntary program a decade ago. SmartWay members have slashed their fuel costs by \$16 billion, reducing foreign oil imports by 120 million barrels.

The fuel savings have also cut harmful air emissions by 51 million metric tons of carbon dioxide, the most common greenhouse gas, and reduced the air pollutants that contribute to smog.

By joining SmartWay, USPS is demonstrating its commitment to improve the environmental performance of its operations and to reduce greenhouse gas emissions from its supply chain.

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Revisions to the Supplying Principles and Practices

New Changes Now in Effect

On July 1, the Postal Service issued two major changes to its Supplying Principles and Practices (SPs and Ps).



The changes concern:

1. The certification of cost and pricing data, and
2. Sustainability-purchasing policies and procedures.

The changes became effective upon issuance.

Under certain limited circumstances, the Postal Service will require suppliers to certify that the cost or pricing data it provides is accurate, complete and current. When this requirement applies, solicitations will specify that the cost or pricing data must be certified and will include both a certification and new Clause 5-4, Certification of Cost or Pricing Data. More information on this subject is available in SPs and Ps sections 2-34.14 and 2-34.15. The SPs and Ps are available to the public at <http://about.usps.com/manuals/spp/html/welcome.htm>.

The new sustainability-purchasing policies and procedures are found in a revision to the Supplying Principles (a new Sustainability subsection in the Ethics and Social Responsibility Principle) and in a new topic in the General Practices (SPs and Ps 7-16, Sustainability). The new policies and procedures focus on business practices designed to further the Postal Service's sustainability goals and are accompanied by a number of sustainability-related contract clauses.

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USPS Contract Management System Upgrade

New Interface and User Features for CAMS



The Postal Service has recently upgraded its Contract Authoring and Management System (CAMS). This upgrade incorporates additional features and enhancements for USPS Contracting Officers and Buyers.

The upgraded CAMS includes a revamped and modern user interface, new ease-of-use features, and expanded contract management templates. In addition, its workflow and integration enhancements form the basis for future software updates to continue streamlining and automating USPS supply management systems.

The goal of the upgrade is to ensure complete data integrity while minimizing user impact.

Thank you for your patience and support during this successful upgrade process as well as throughout our efforts to continuously improve USPS Supply Management software tools.

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Postal Railway Mascot – Owney the Dog

Believed to Have Brought Good Luck to Postal Railway Clerks During the 1880s



Railway Mail Service revolutionized the way mail was processed by sorting mail aboard moving trains. Launched in 1864, the Railway Mail Service carried the vast majority of letters and packages mailed in the U.S. from the late 1880s until the 1960s.

In the 1880s, during the height of the Railway Mail Service, clerks in the Albany, NY, Post Office took a liking to a mixed terrier named Owney. Fond of riding in postal wagons, Owney followed mailbags onto trains and soon was known as a good-luck charm to Railway Mail Service employees who made him their unofficial mascot. Working in the Railway Mail Service was highly dangerous as train wrecks were known to have occurred. Railway clerks believed Owney brought them good luck, since not a single train he rode was in an accident.

Like most postal employees, Railway Post Office clerks wore metal badges to identify themselves as postal employees. Even Owney, the canine mascot of the Railway Mail Service, wore metal identification badges. Railway Post Office clerks liked to give Owney medals and badges to mark his travels in railway trains. As Owney's popularity grew worldwide, private companies also began awarding Owney metal tags.

As Owney traveled the country, clerks affixed medals and tags to his collar to document his travels. When John Wanamaker, Postmaster General from 1889 to 1893, heard that Owney was overburdened with tags, he gave him a special harness to display them all.

During his life, Owney traveled by some estimates more than 140,000 miles during almost 10 years. He even visited other countries representing the U.S. Post Office.

The Postal Service issued the "Owney the Postal Dog" stamp July 27, 2011 (no longer on sale), to honor the much-beloved and well-traveled pooch.

Owney has been preserved and is on display at the National Postal Museum in Washington, DC. More information about Postal Service history, including Owney, can be found on the Postal Museum website at <http://postalmuseum.si.edu/>.

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The Postal Service™ receives no tax dollars for operating expenses and relies on the sale of postage, products, and services to fund its operations.

**ARE YOU REGISTERED TO DO BUSINESS WITH
THE U.S. POSTAL SERVICE?**

More than 11,000 suppliers have registered since our launch of the Supplier Registration site in July 2009.

All suppliers interested in doing business with the U.S. Postal Service should register their company in the Postal Service Supplier Registration system.

For more information, please go to
<http://about.usps.com/suppliers/becoming/registration.htm>.

CONTACT US!

We value your questions and feedback to this newsletter. Please feel free to reply to this message with your feedback or mail to:

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