

2010 Postal Supplier Council Conference

Kicking Into Overdrive...





Welcome PSC Members

<i>ABB, Inc.</i>	<i>ConEdison Solutions</i>	<i>International Paper</i>	<i>Safety-Kleen Systems</i>
<i>ABM Industries, Inc.</i>	<i>Continental Airlines</i>	<i>Intralox LLC</i>	<i>SAP Public Services</i>
<i>Accenture, LLC</i>	<i>Convergys, Inc.</i>	<i>Jasper Innovation</i>	<i>Sennett Security</i>
<i>Accu-Sort Systems</i>	<i>Coventry Workers</i>	<i>JB Hunt Transport</i>	<i>Serco, Inc.</i>
<i>AECsoft USA</i>	<i>Coverall Cleaning</i>	<i>Korte Company</i>	<i>Siebold Company</i>
<i>Alan Ritchey, Inc.</i>	<i>CSC</i>	<i>Lockheed Martin</i>	<i>Siemens</i>
<i>Alliance Rubber Co.</i>	<i>DMJM H+N, Inc.</i>	<i>Louis Berger Group</i>	<i>Sprint</i>
<i>Allsteel Inc.</i>	<i>Dolce International</i>	<i>Maritz, Inc.</i>	<i>Strategic Products</i>
<i>American Airlines</i>	<i>Eagle Express Lines</i>	<i>Marriott</i>	<i>Suez Energy</i>
<i>American Bank Note</i>	<i>Eaton Corp.</i>	<i>Matheson Postal Svcs.</i>	<i>Tarheel Paper</i>
<i>Ashton Potter</i>	<i>Ecolab Inc.</i>	<i>Minnesota Diversified</i>	<i>Temple Inland</i>
<i>AT&T</i>	<i>EMC Corp.</i>	<i>Motorola</i>	<i>Toyota Mat'l Handling</i>
<i>Avery Dennison</i>	<i>Emptoris</i>	<i>MSC Industrial Supply</i>	<i>TXU Energy</i>
<i>Beco, Inc.</i>	<i>Energys</i>	<i>Northrop Grumman</i>	<i>United Express Svc.</i>
<i>Bell, Inc.</i>	<i>FedEx</i>	<i>OfficeMax</i>	<i>Univ. of Oklahoma</i>
<i>Biscayne Contractors</i>	<i>Florence Mfg.</i>	<i>Omega World Travel</i>	<i>UPS</i>
<i>Boneal, Inc.</i>	<i>Foth Production Sol.</i>	<i>Parsons Corp.</i>	<i>US Bank</i>
<i>Booz Allen Hamilton</i>	<i>GE Trailer Fleet</i>	<i>Pat Salmon & Sons</i>	<i>US Stamp & Sign</i>
<i>C.H. Robinson</i>	<i>Grainger Industrial</i>	<i>Pitney Bowes</i>	<i>Verian Technologies</i>
<i>Cartus Corp.</i>	<i>Hallmark (Sunrise)</i>	<i>Postal Products Unlim.</i>	<i>Verizon Business</i>
<i>Clark Construction</i>	<i>Harris Technical</i>	<i>Rand Whitney</i>	<i>Walbridge Aldinger</i>
<i>Cleanwise, LLC</i>	<i>Hewlett Packard</i>	<i>Ricoh U.S.</i>	<i>Western Industrial</i>
<i>Compusearch</i>	<i>Honeywell Int'l.</i>	<i>RR Donnelley</i>	<i>Wheeler Bros.</i>
<i>CompX Security</i>	<i>IBM Business</i>	<i>Ryder System</i>	<i>Worldwide Flight</i>



Thank You - Board of Advisors

Supplier Co-Chair – Barry Switzer – Ashton Potter

- Jason Cartozian**
 - **ConEdison Solutions**
- Peter Hinman**
 - **Continental Airlines**
- Stacy Kohlmeier**
 - **Florence Mfg. Co.**
- John Kassiri**
 - **Foth Production**
- Jim Dunn**
 - **Grainger**
- Bill Takis**
 - **IBM**
- Mark Trusty**
 - **JB Hunt Transport**
- Andrew Goods**
 - **Maritz, Inc.**
- Laurie Johnson**
 - **Matheson Postal Svcs.**
- Tom Pletsch**
 - **Minnesota Diversified**
- Lance Smith**
 - **MSC Industrial**
- Doug Schaus**
 - **Northrop Grumman**
- Matt Baer**
 - **OfficeMax**
- Philip Mahoney**
 - **Parsons**
- Jon Love**
 - **Pitney Bowes**
- Bob Curry**
 - **Siemens**



Agenda

Day 1

- 1:00 – 1:15 **Welcome**
- 1:15 – 1:45 **Public Policy Update** – *Marie Therese Dominguez*
- 1:45 – 2:15 **CIO Perspective** – *Ross Philo*
- 2:15 – 2:30 **Break**
- 2:30 – 3:00 **Mailing and Shipping Focus and Innovations** – *Paul Vogel*
- 3:00 – 3:30 **Financial Results and Outlook** – *Joe Corbett*
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- 9:00 – 10:00 **Executive Panel Discussion** – *Mitzi Betman*
 - Tom Day*
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- 12:00 **Closing Remarks**

Public Policy Update

Marie Therese Dominguez

Vice President

Government Relations and Public Policy



"Envisioning America's Future Postal Service"

- ❑ **On March 2, 2010, USPS announced plan and strategies for long-term viability**
- ❑ **Presented multi-faceted, balanced and detailed plan on USPS future**
- ❑ **USPS remains fully committed to long-term action plan**



Fundamental Changes Are Necessary



Management

Actions



Delivery

frequency



Public Policy

**Long Term Sustainability
through Fundamental
Change**



Revenue Pricing

& Products



Workforce Flexibility



Expanded

Access



Action Plan

- ❑ **Balanced Approach – Action Plan has elements that affect every segment of postal community**
- ❑ **USPS taking on responsibility for closing over half the projected \$238B gap by 2020**
- ❑ **USPS Operation Efficiencies, Revenue Generation**
- ❑ **Also need regulatory support and legislative changes to fully enact Action Plan**
- ❑ **Need stakeholders to be educated and informed about postal issues**



USPS Financial Stresses

- ❑ **Financially devastating and unique requirement to prefund retiree health benefits**
- ❑ **No other public or private entity is required to prefund retiree health benefits**
- ❑ **USPS has already paid \$38 billion into retiree health benefit fund since 2007**
- ❑ **Severe USPS financial losses directly attributable to these payments**

2010 USPS Loss \$8.5 billion

2010 Retiree Payment \$5.5 billion



USPS Financial Stresses - continued

- ❑ **USPS Overpayment of Civil Service Retirement (CSRS) Account – identified by both the USPS OIG and the Postal Regulatory Commission (PRC) (potential \$75 billion in revenue)**
- ❑ **USPS Overpayment of Federal Employees Retirement System (FERS) – under review with the Office of Personnel Management (potential \$6 billion in revenue)**
- ❑ **PRC rejected USPS 2010 Exigent Rate Case – under appeal (potential yearly \$2 billion in revenue)**
- ❑ **Still awaiting PRC advisory opinion on five-day delivery proposal (potential \$3 billion savings yearly)**



What's Needed

- Seek deferment or recalculation of retiree health benefit payment obligation**
 - Short-term, one-year adjustment this year through continuing resolution or omnibus appropriations bill
 - Long-term permanent “fix” to retiree payments through specific legislation
- Seek legislative resolution to CSRS and FERS overpayments**
- Seek repeal of legislation blocking five-day delivery**
- Seek enactment of legislation allowing USPS to adjust operations, workforce, and network to meet service needs**



What's Ahead

- ❑ **Change in leadership and postal oversight in the House of Representatives in the 112th Congress**
- ❑ **End of contract negotiations with two major unions; two more to follow in 2011**
- ❑ **USPS Gathering input on Postal Accountability and Enhancement Act of 2006 – Please send all comments to transformation@usps.gov by Jan 15th, 2011. More information is available at <http://www.usps.com/postallaw/welcome.htm>.**
- ❑ **Consideration of Senate bill - Postal Operations and Sustainment and Transformation Act in 2011**
- ❑ **Potential introduction of postal reform bills in both the House and Senate**



Built upon educating and informing stakeholders:

- Need for a more flexible postal business model**

- Value of the mail**

- Need for urgent changes in the law**



Questions



Public Policy Update

Marie Therese Dominguez

Vice President

Government Relations and Public Policy

CIO Perspective

Ross Philo

Chief Information Officer and Executive Vice
President



**BREAK – 15
MINUTES**



Mailing and Shipping Focus and Innovations

Paul Vogel

President Mailing and Shipping Services

USPS Financial Outlook

Joe Corbett

Chief Financial Officer and Executive Vice
President

Financial Outlook: **2010 Results** and 2011 Plan



2010 Year In Review

- ❑ Mail Volume Declines and Financial Pressures Continue, Resulting in Substantial Net Loss**

- ❑ Operating Results Favorable to Plan and 2009**
 - Cut Operating Losses by Over 50 percent ('10 vs '09)**
 - Reduction of Approximately 40,000 Employees in '10**
 - Approximately \$9B of Savings Over Two Years**
 - Two Year Reduction of Over 100,000 FTEs (190M W/H)**

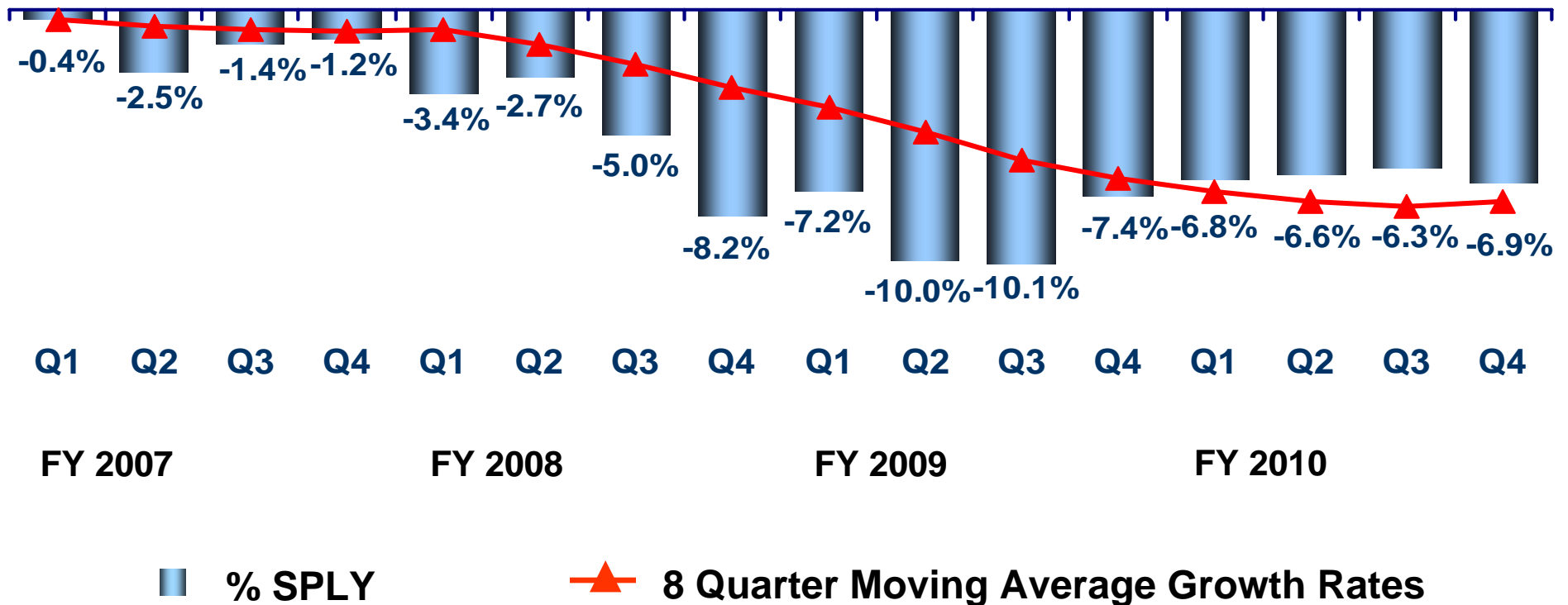
- ❑ Productivity and Service at All-Time High Levels**

- ❑ Achieved Sarbanes-Oxley Compliance**



Quarterly Volume Changes

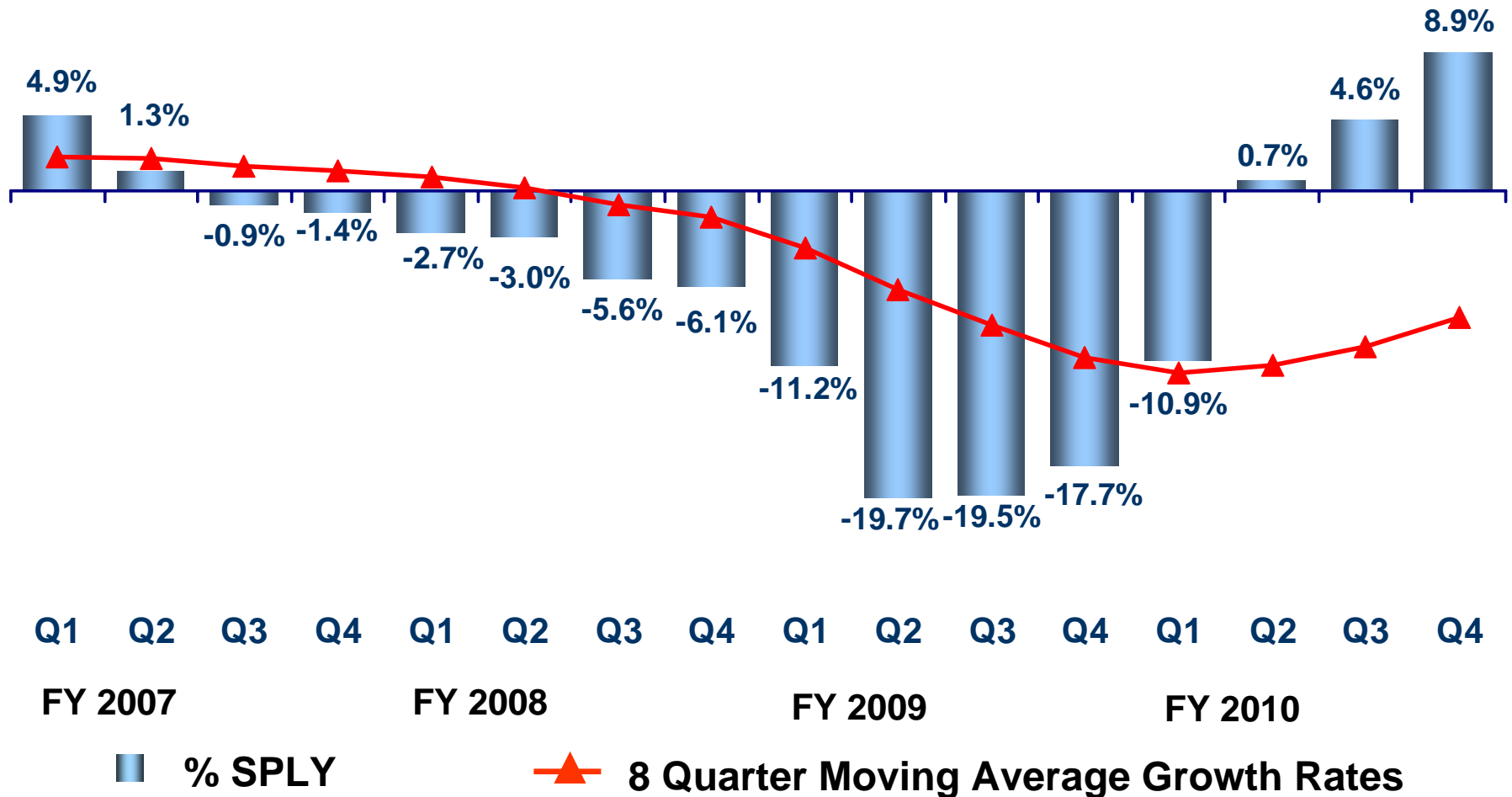
First-Class Mail Volume





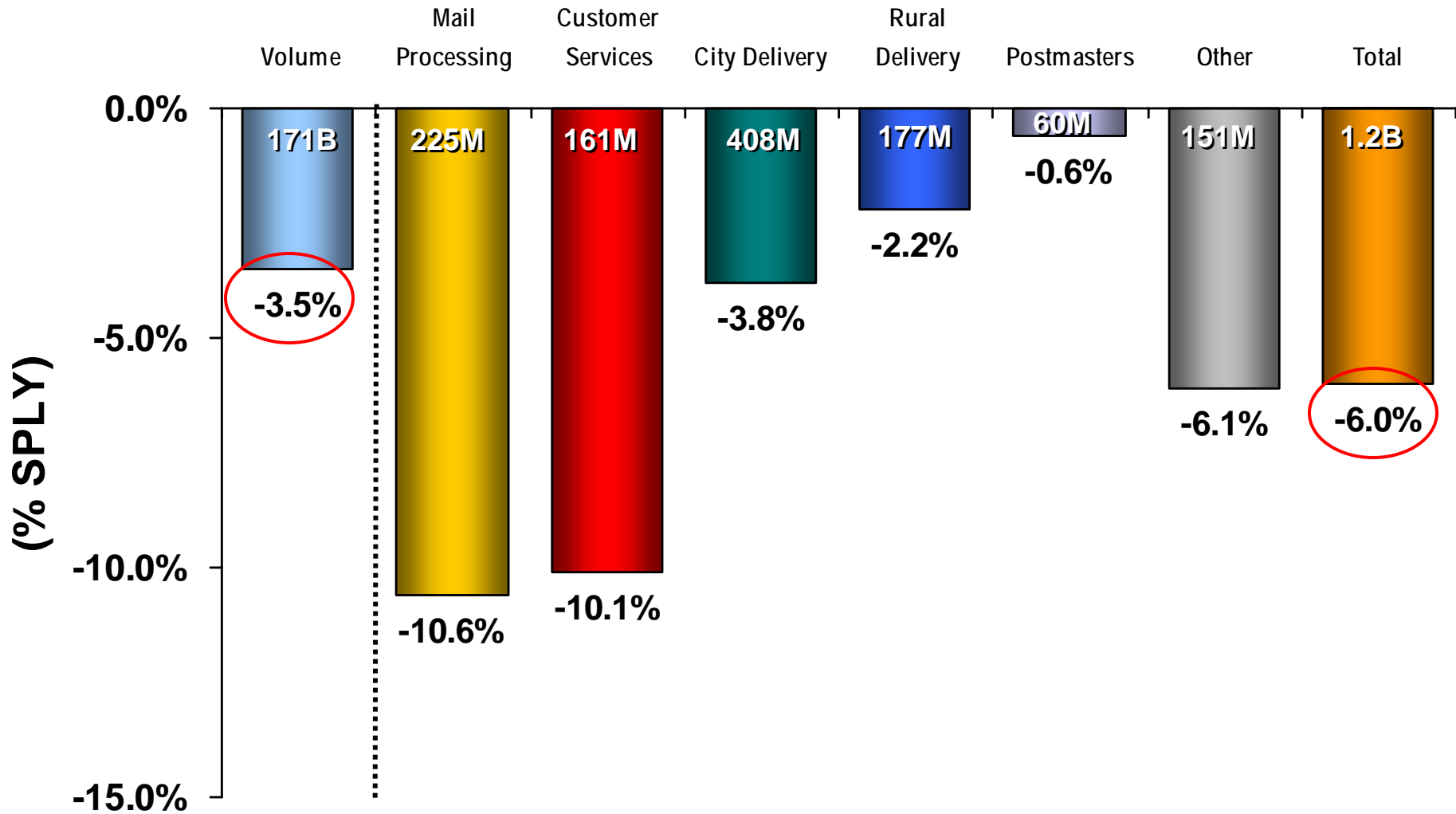
Quarterly Volume Changes

Standard Mail Volume



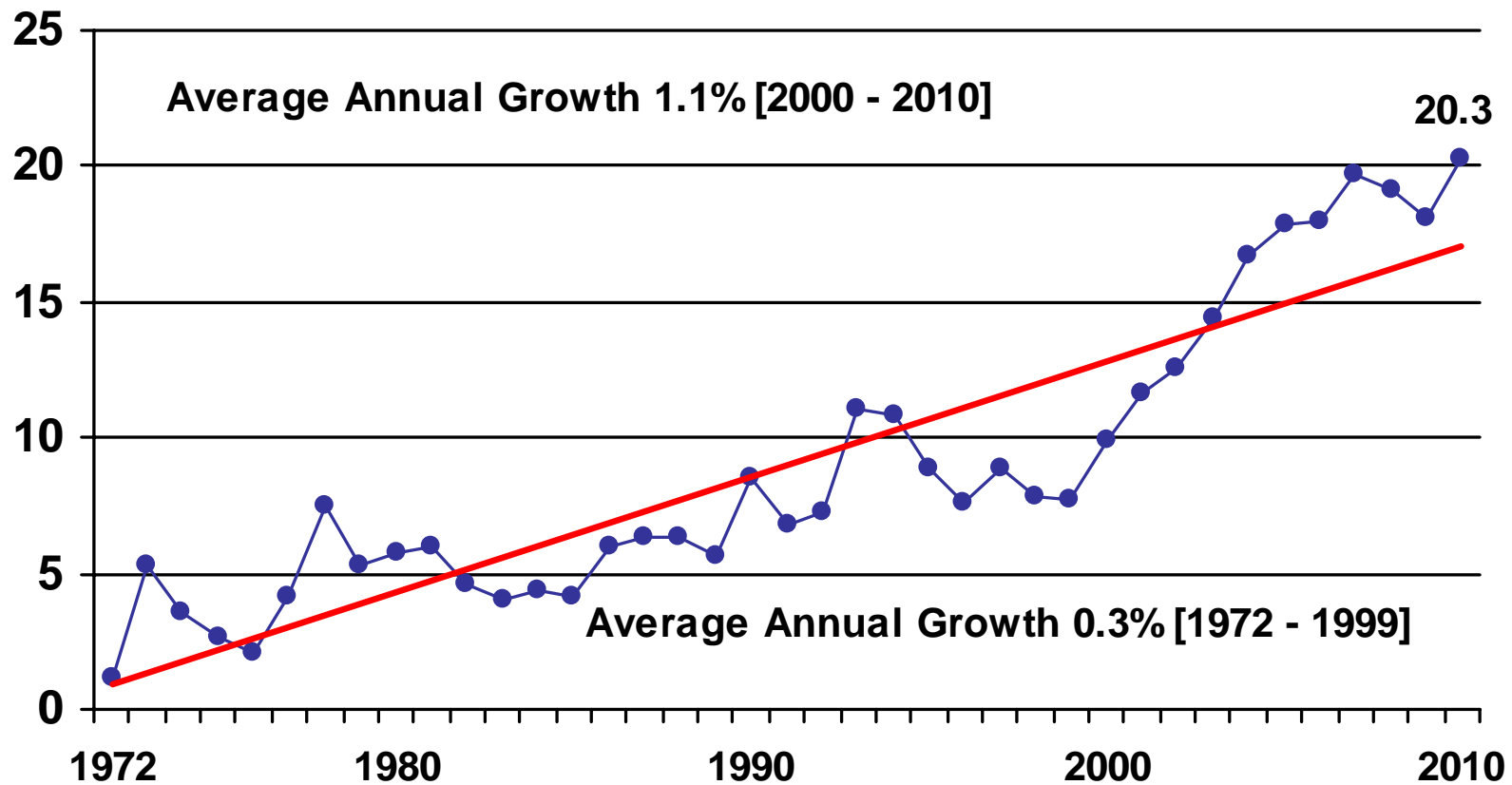


Workhour and Volume Changes FY 2010





Total Factor Productivity





2010 Financial Results

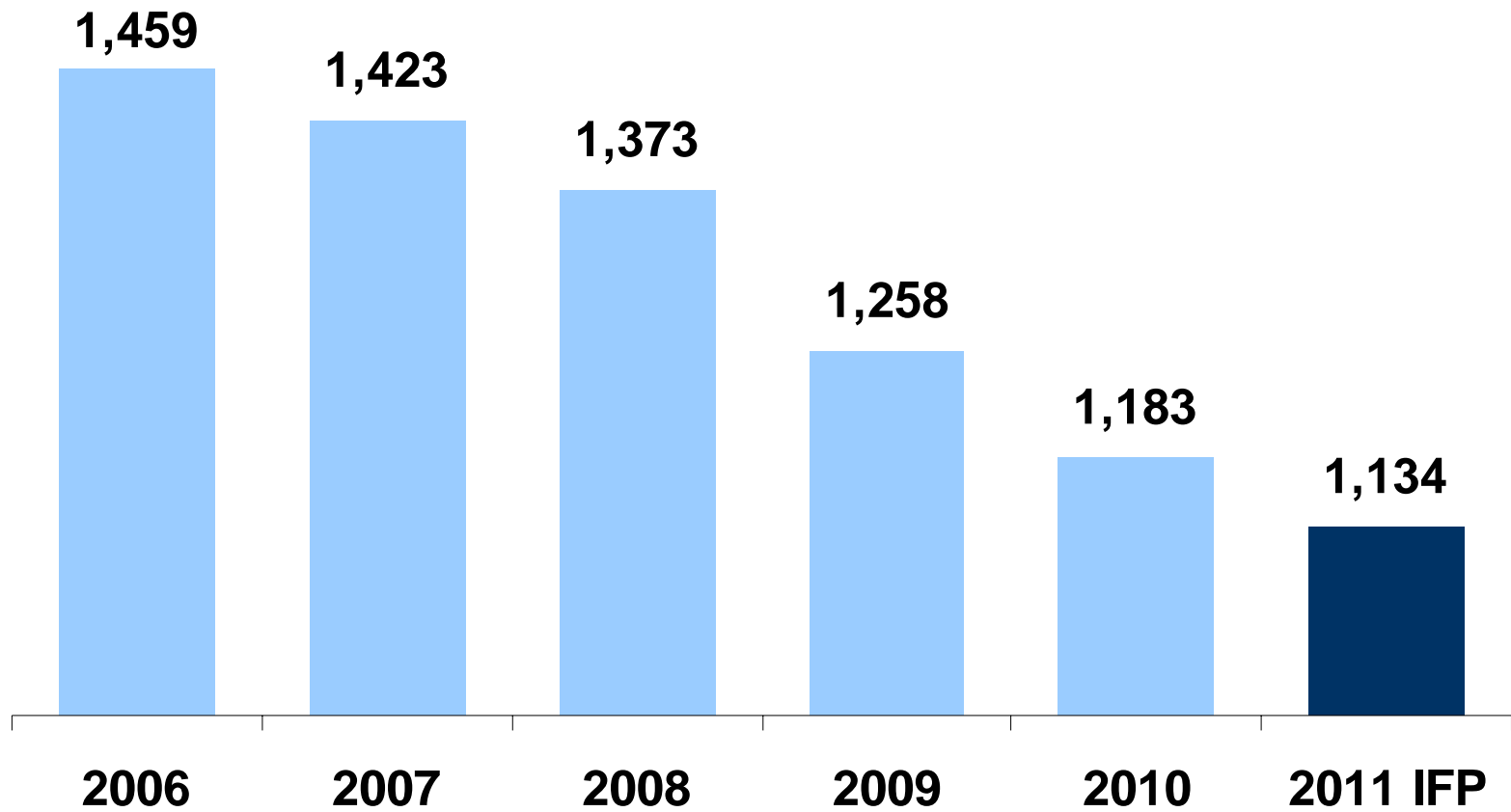
(Billions)	2010 Actual	2009 Actual
Revenue	\$67.1	68.1
Expenses	<u>67.6</u>	<u>69.2</u>
"Operating" Loss	(0.5)	(1.1)
RHB Pre-Funding	5.5	1.4
Workers' Comp. Adj. *	<u>2.5</u>	<u>1.3</u>
Net Loss	<u>(\$8.5)</u>	<u>(3.8)</u>
Volume (Pieces)	171	177

* Discount rate and actuarial valuation adjustments to workers' compensation liability.

Financial Outlook: 2010 Results and **2011 Plan**



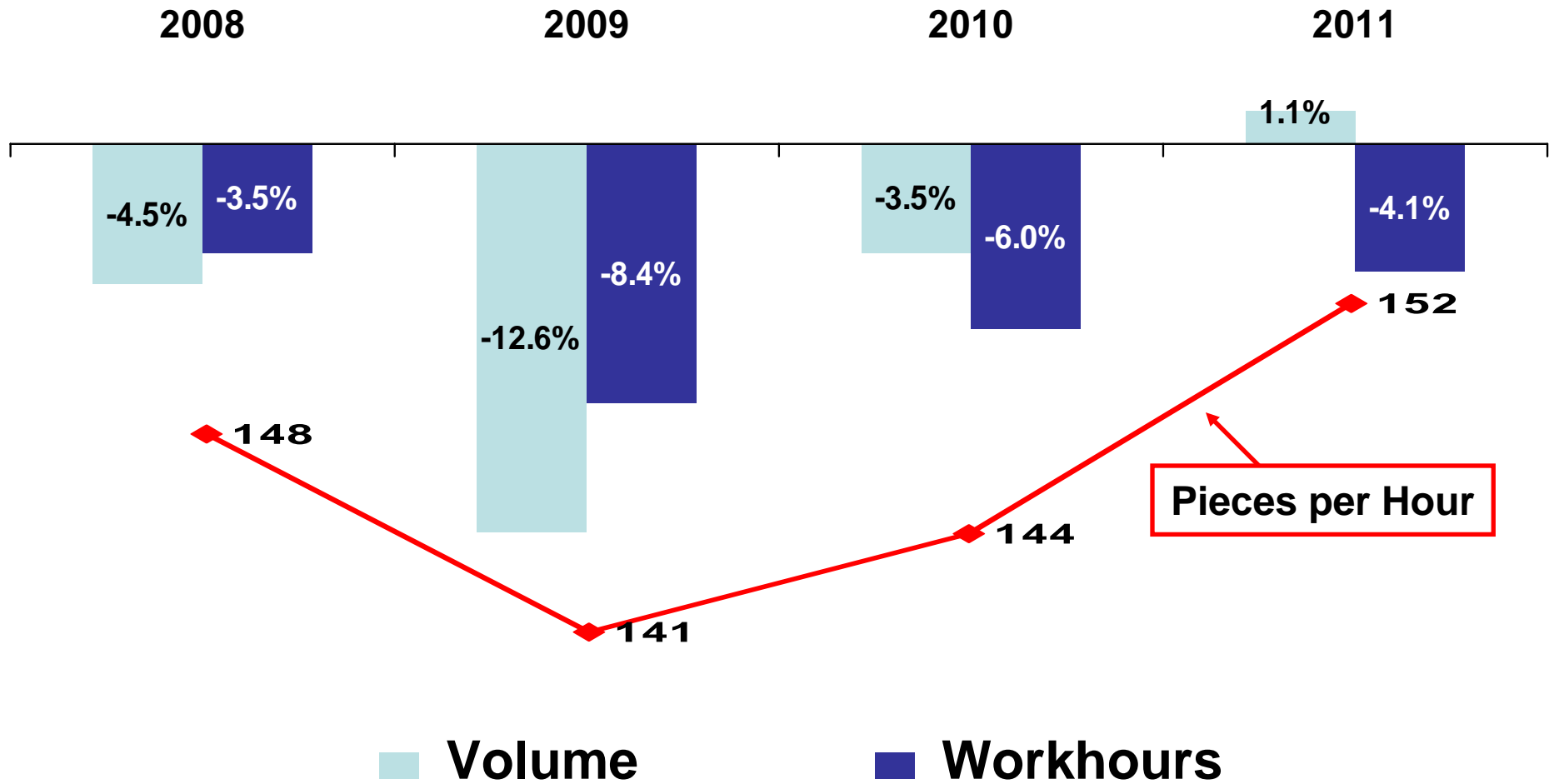
Workhours



FY 2011 IFP assumes a reduction of 49 Million workhours



Workhour Challenge





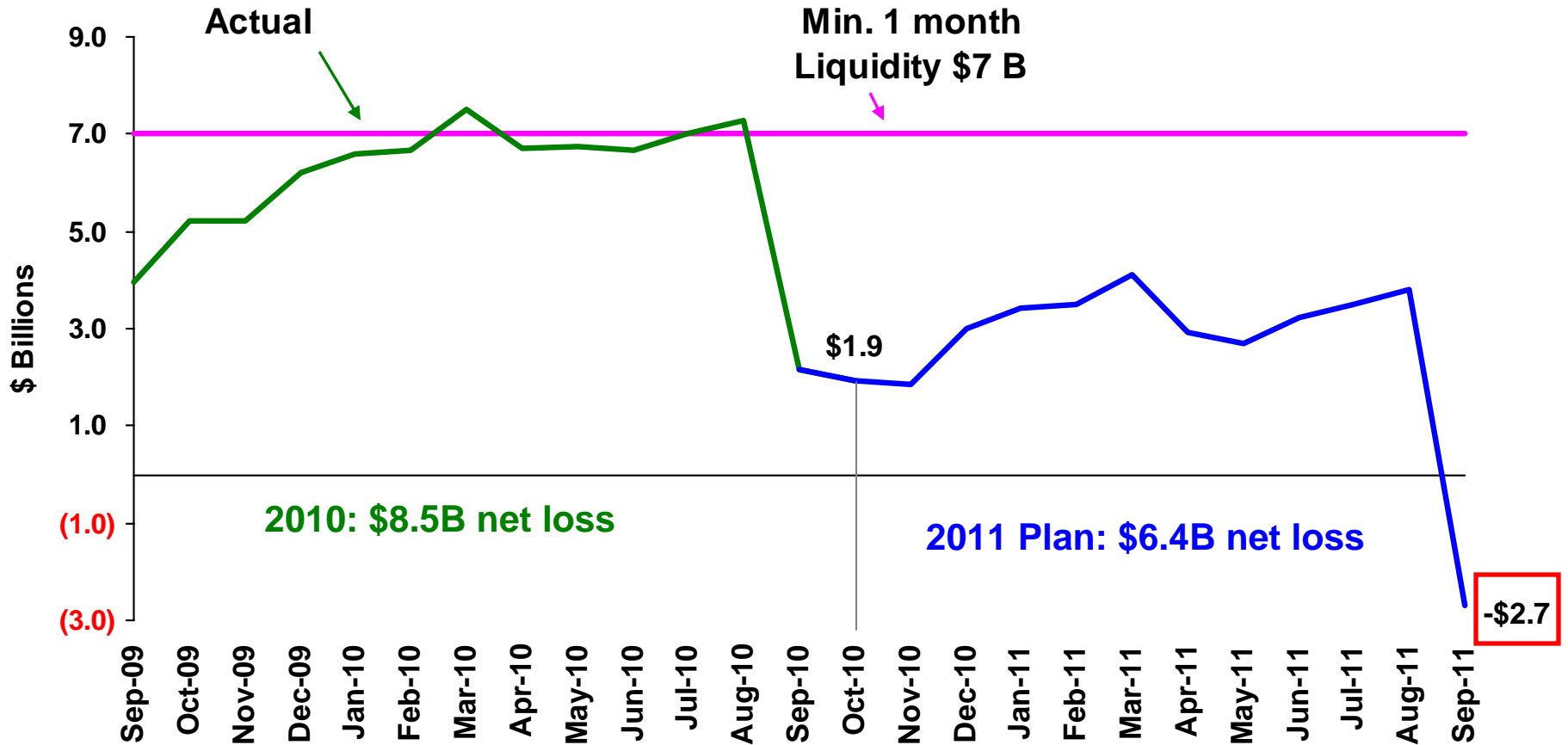
Statements of Operations

In Billions	2010 Actual	2011 Plan
Revenue	\$ 67.1	67.7
Expenses	67.6	68.6
Operating Income (Loss)	\$ (0.5)	(0.9)
RHB Pre-funding	5.5	5.5
Workers' Compensation Adj. *	2.5	TBD
Net Income (Loss)	\$ (8.5)	(6.4)
Volume	170.6	172.5

* Discount rate and actuarial valuation adjustments to workers' compensation liability.



Available Liquidity / Cash - Monthly



Debt at \$12.0 B for 2010 and \$15 B Limit for 2011. Excludes Restricted Cash (Inspection Service's Recoveries) of approx. \$200M.



Closing Summary

❑ 2010 Financial Results:

- ❑ Strong Performance, despite Continued Mail Volume Declines**
- ❑ Saved 75M Workhours**
- ❑ High Levels of Service and Productivity**
- ❑ Operating / Controllable Loss Reduced to \$500M**

❑ 2011 Financial Plan:

- ❑ Mail Volume and Revenue Increasing**
- ❑ Workhour Savings of 49M**
- ❑ Operating / Controllable Loss of \$900M**
- ❑ Net Loss of \$6.4B**
- ❑ Cash Shortfall of \$2.7B in September**



Questions





USPS Financial Outlook

Joe Corbett

Chief Financial Officer and Executive Vice
President

2010 Postal Supplier Council Conference | December 2-3, 2010

PMG Remarks

Jack Potter

Postmaster General and Chief Executive Officer



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Thank You

***Please Enjoy the
Networking Reception***

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Conference

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Executive Panel Discussion

Moderator

Mitzi Betman – VP Corporate Communications

Panelists

Tom Day - Senior Vice President, Intelligent Mail® and Address Quality

Deborah Giannoni-Jackson - VP Employee Resource Management

Kelly Sigmon - VP Engineering

Sam Pulcrano - VP Sustainability

Remarks

Pat Donahoe

Deputy Postmaster General and Chief
Operating Officer



**BREAK – 15
MINUTES**



Supply Management Accomplishments and Focus

Susan Brownell
Vice President Supply Management



Supply Management Responsibilities

Sourcing

- Strategic Sourcing
- Contract Management
- Catalog Mgmt and Electronic Invoicing (eBuy2)
- Purchase Card Program Mgmt
 - SmartPay
 - eFleet
- Contract and Spend Analytics
- Supplier Outreach
- Demand Management
- Sourcing Advice

Asset Management

- Warehousing & Inventory Mgmt
- Fulfillment & Distribution
- Demand & Supply Planning
- Asset Accountability Centers
- Inventory and Technical Support Call Center
- Investment Recovery
- Non-Mail Freight Logistics
- Mail Equipment Shop
- Label Print Center



Key SM Accomplishments In FY10

- ❑ Executed over 50K contracting actions and fulfilled over 11 million transactions in Asset Management
- ❑ Launched New Strategic Plan (2010 – 2012)
- ❑ Completed 3 Organizational Changes
 - Asset Management Integration
 - Highway Transportation Contract Management Teams
 - Purchasing Shared Service Centers
- ❑ Completed Stamp Distribution Network consolidation
- ❑ Deployed eBuy2 to over 56,000 Users
- ❑ Piloted SmartPay Credit Card Reconciliation Program
- ❑ All SM Processes/Systems met SOX Requirements



Value Measures

#1: Drive Down Supply Chain Costs

#2: Improve Operational Efficiency

#3: Improve Asset Management

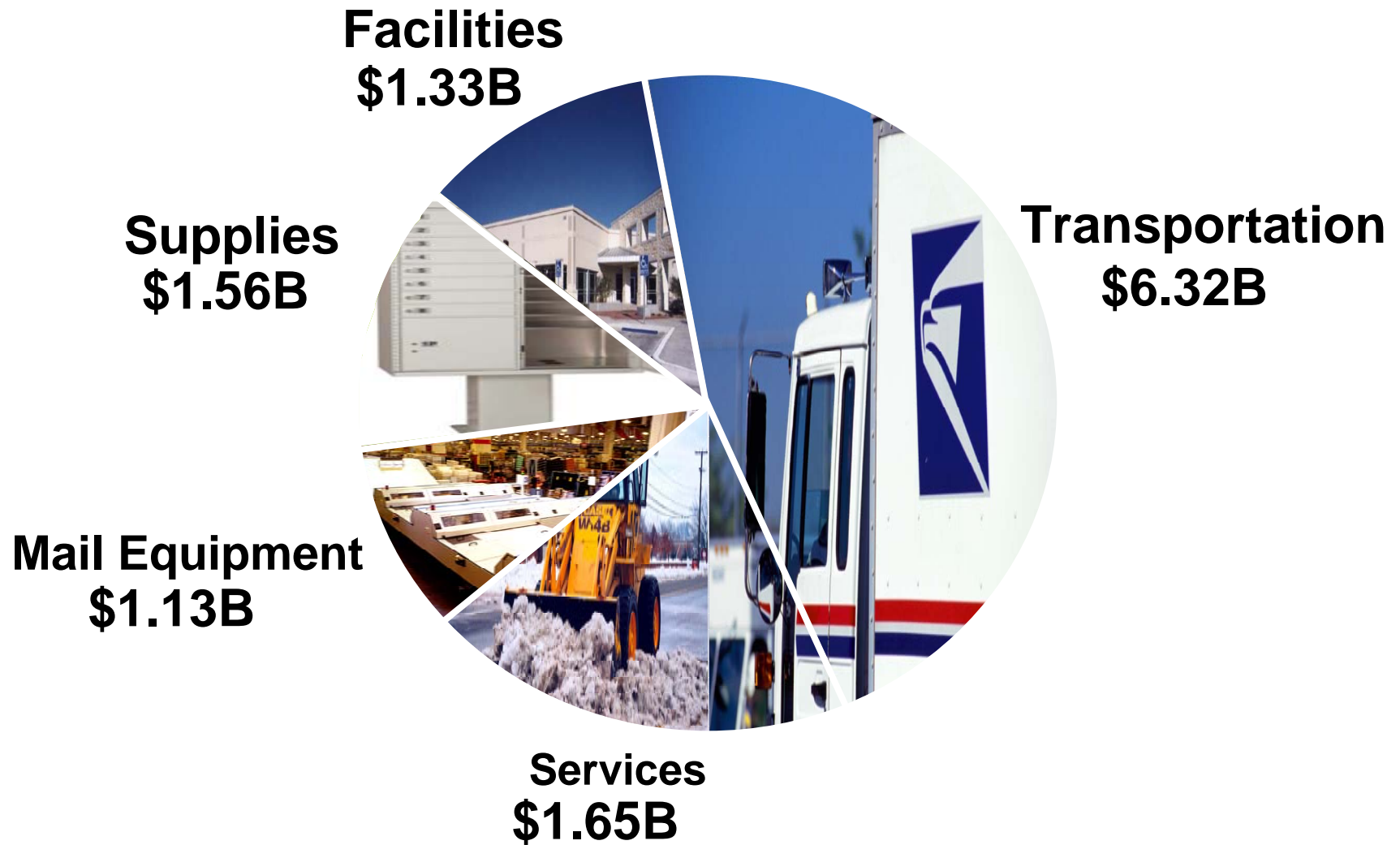
#4: Improve Employee Engagement

#5: Improve Business Partner Relationships

#6: Improve Supply Chain Performance and Sustainable Business Practices



SM FY10 Managed & Influenced Spend - \$12B



FY10 = 1.1% reduction in spend vs. FY09 and 19.4% reduction vs. FY08



#1: Drive Down Supply Chain Costs

GOAL: SCM Impact

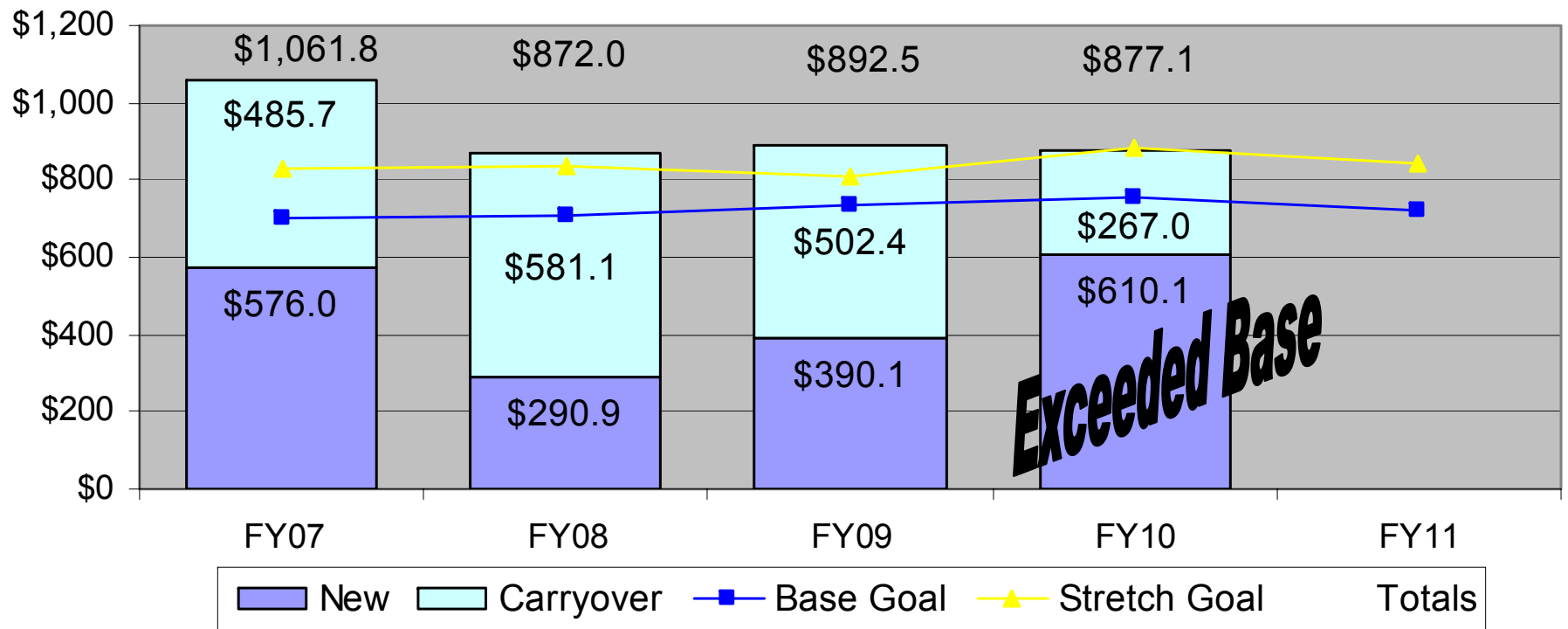
(Base: $\geq 6\%$ Managed & Influenced Spend, Stretch: $\geq 7\%$)

FY10 Base: $\geq \$756.7M$

Stretch: $\geq \$880.5M$

FY11 Base: $\geq \$719.5M$

Stretch: $\geq \$839.4M$





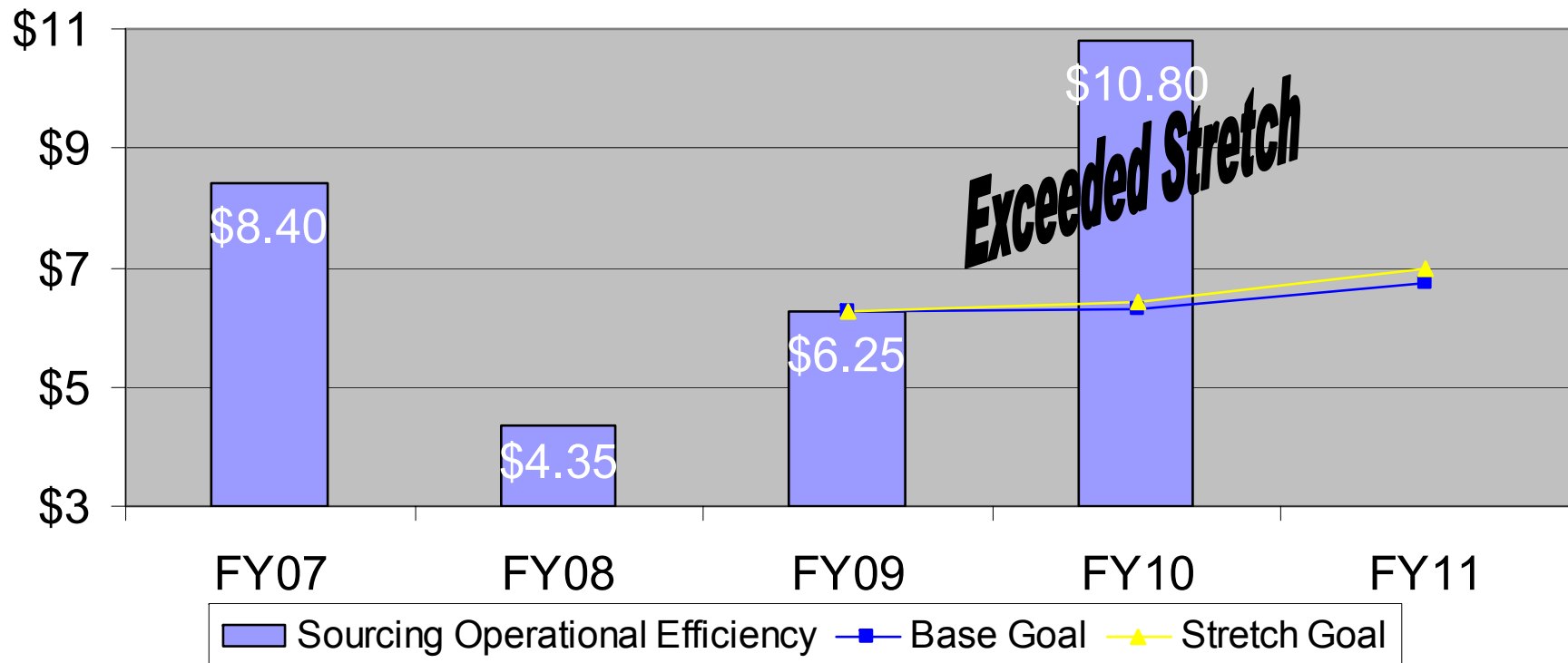
#2: Improve Operational Efficiency

GOAL: Sourcing Operational Efficiency

(New SCM Impact / Cost of Sourcing Organization)

FY10 Base: $\geq \$6.32$ (1% > FY09) FY11 Base: $\geq \$6.75$ (8% > FY09)

Stretch: $\geq \$6.44$ (3% > FY09) Stretch: $\geq \$7.00$ (12% > FY09)





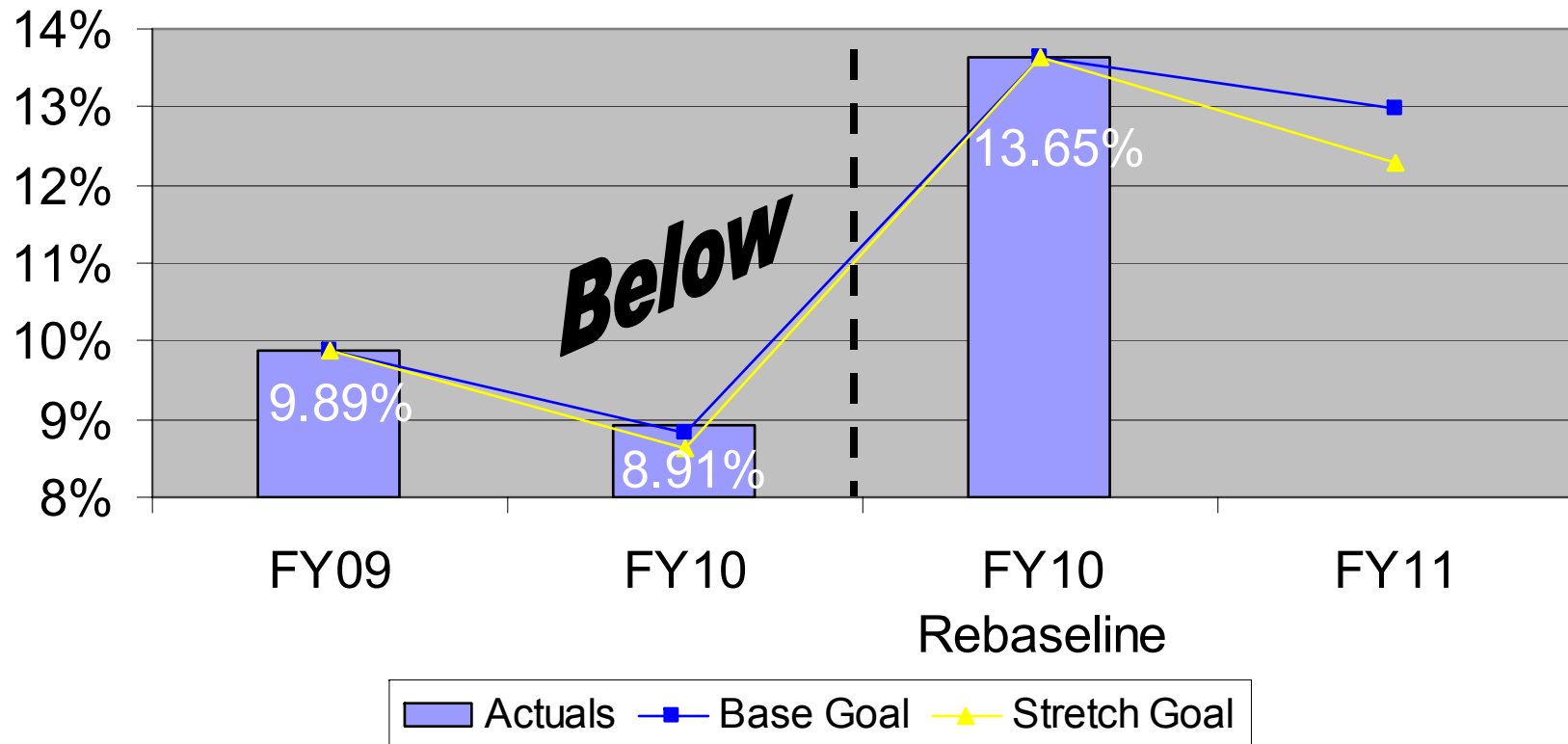
#2: Improve Operational Efficiency

GOAL: Improve Asset Distribution and Fulfillment Efficiency

(Logistics Costs as a % of COGS = Cost of Asset Management Org / Inventory Sales)

FY10 Base: <=8.82% (10.8%<FY09) **FY11 Base: <=12.97%** (5%<FY10)

Stretch: <=8.64% (12.6%<FY09) **Stretch: <=12.29%** (10%<FY10)





#3: Improve Asset Management

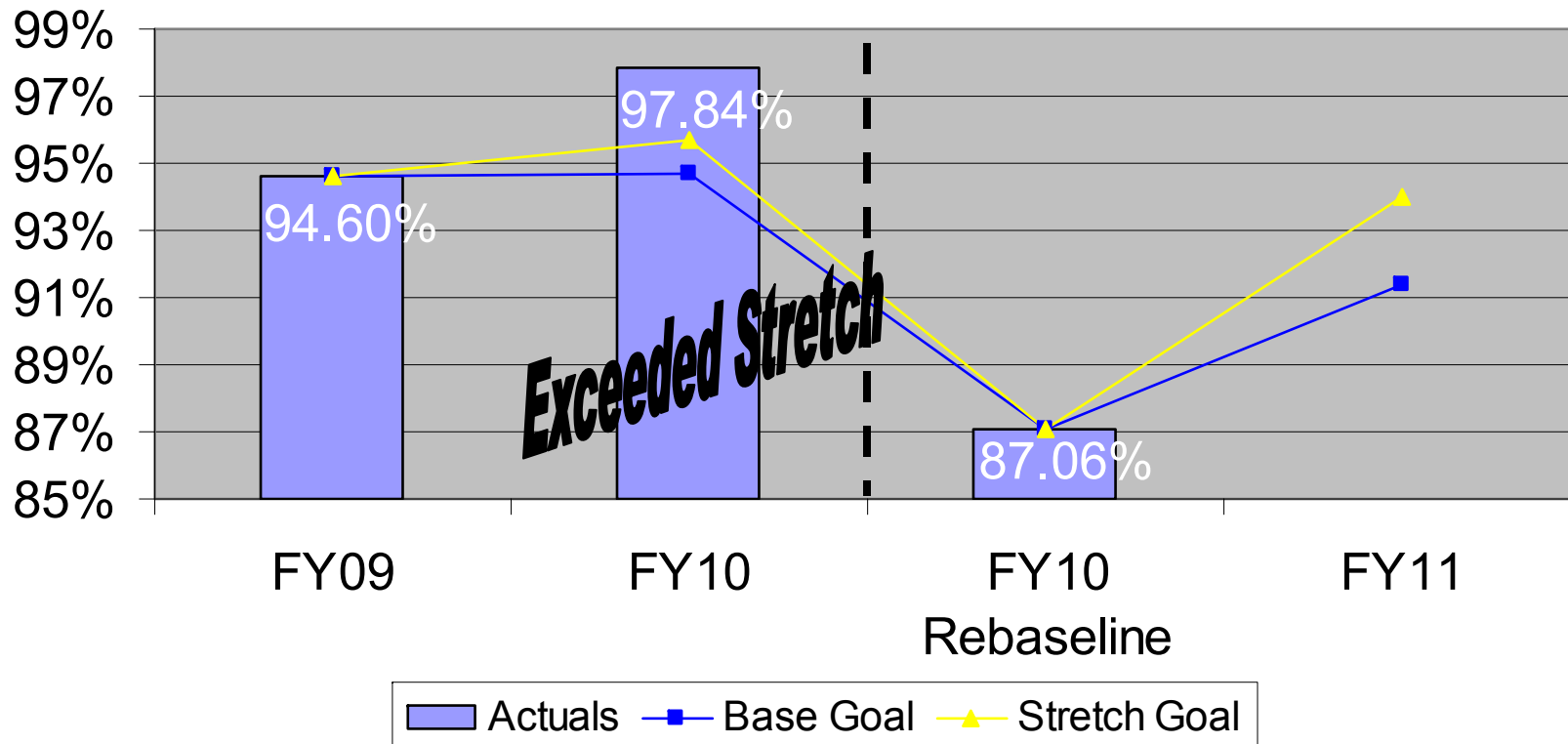
GOAL: Improve Distribution and Fulfillment Effectiveness

FY10 = (Perfect Order % = Product Availability % x Order Accuracy)

FY11 = (Perfect Order % = Product Availability % x Order Accuracy % x Cycle Time %)

FY10 Base: >=94.7% (0.1%>FY09) **FY11 Base: >=91.4.%** (5%>FY10)

Stretch: >=95.7% (1.1%>FY09) **Stretch: >=94.0%** (8%>FY10)





#3: Improve Asset Management

GOAL: Improve Inventory Cash Flow

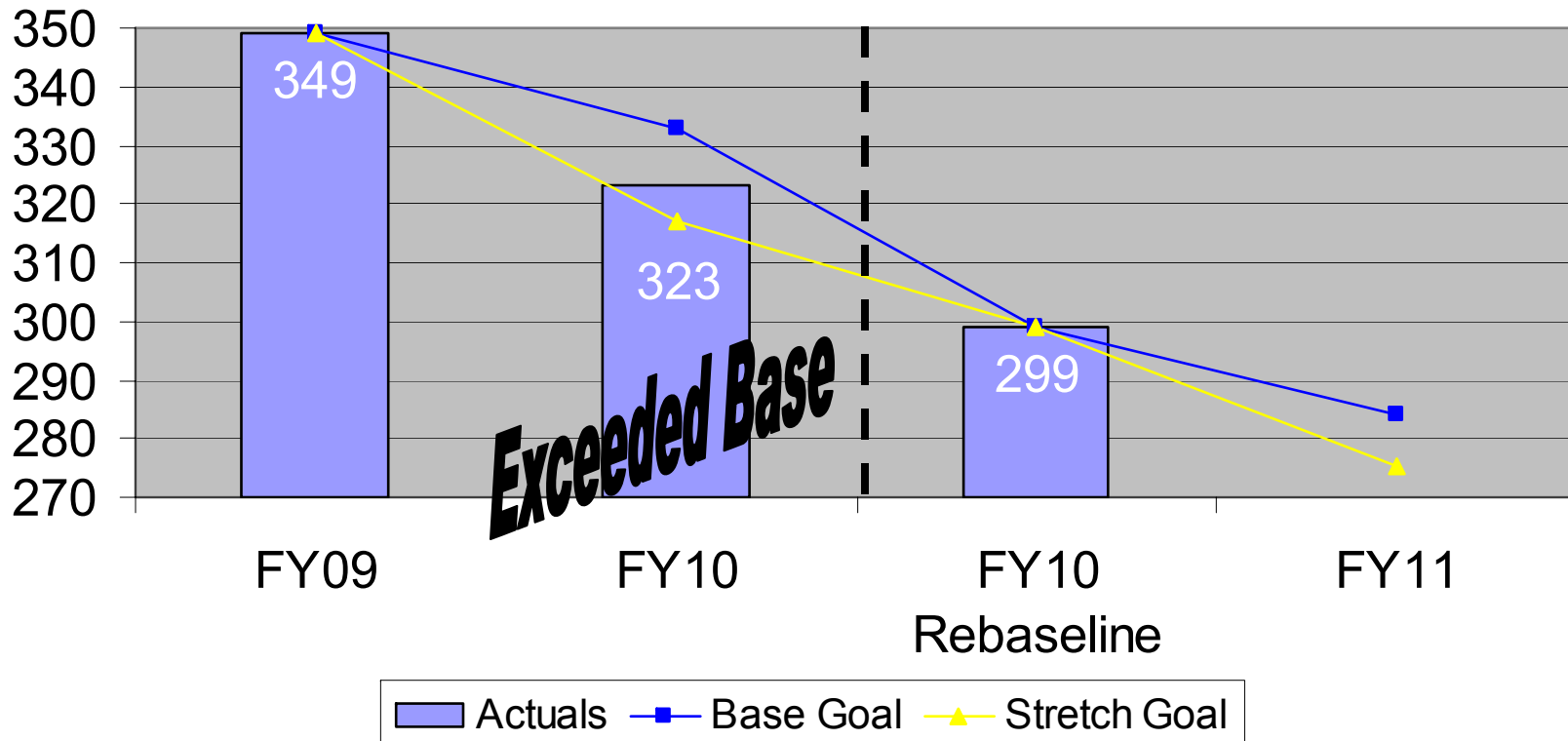
(Days of Inventory = $(365 / (\text{monthly sales} \times 12) / \text{investment})$)

FY10 Base: ≤ 333 (4.5% < FY09)

FY11 Base: ≤ 284 (5% < FY10)

Stretch: ≤ 317 (9.2% < FY09)

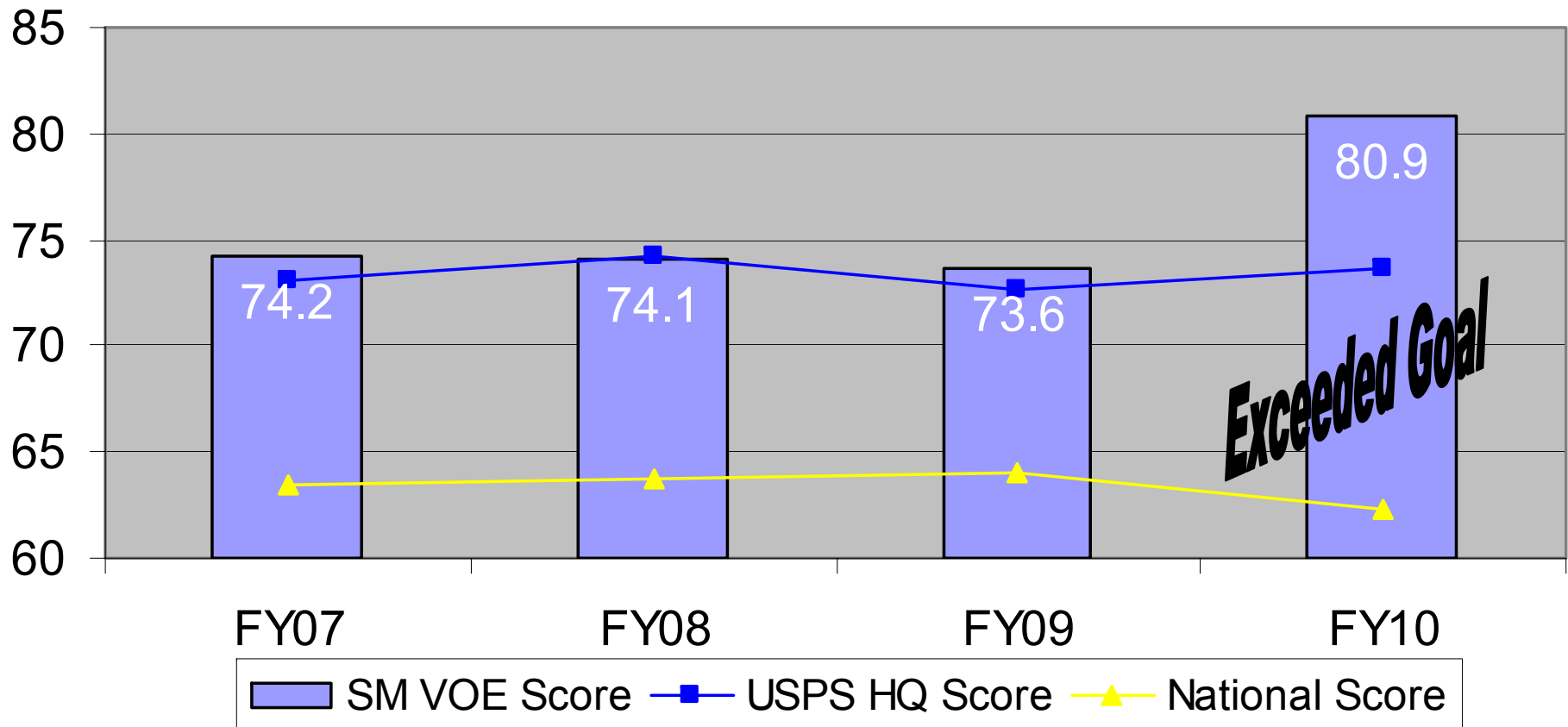
Stretch: ≤ 275 (8% < FY10)





#4: Improve Employee Engagement

GOAL: SM VOE Results Exceed USPS HQ Composite Score



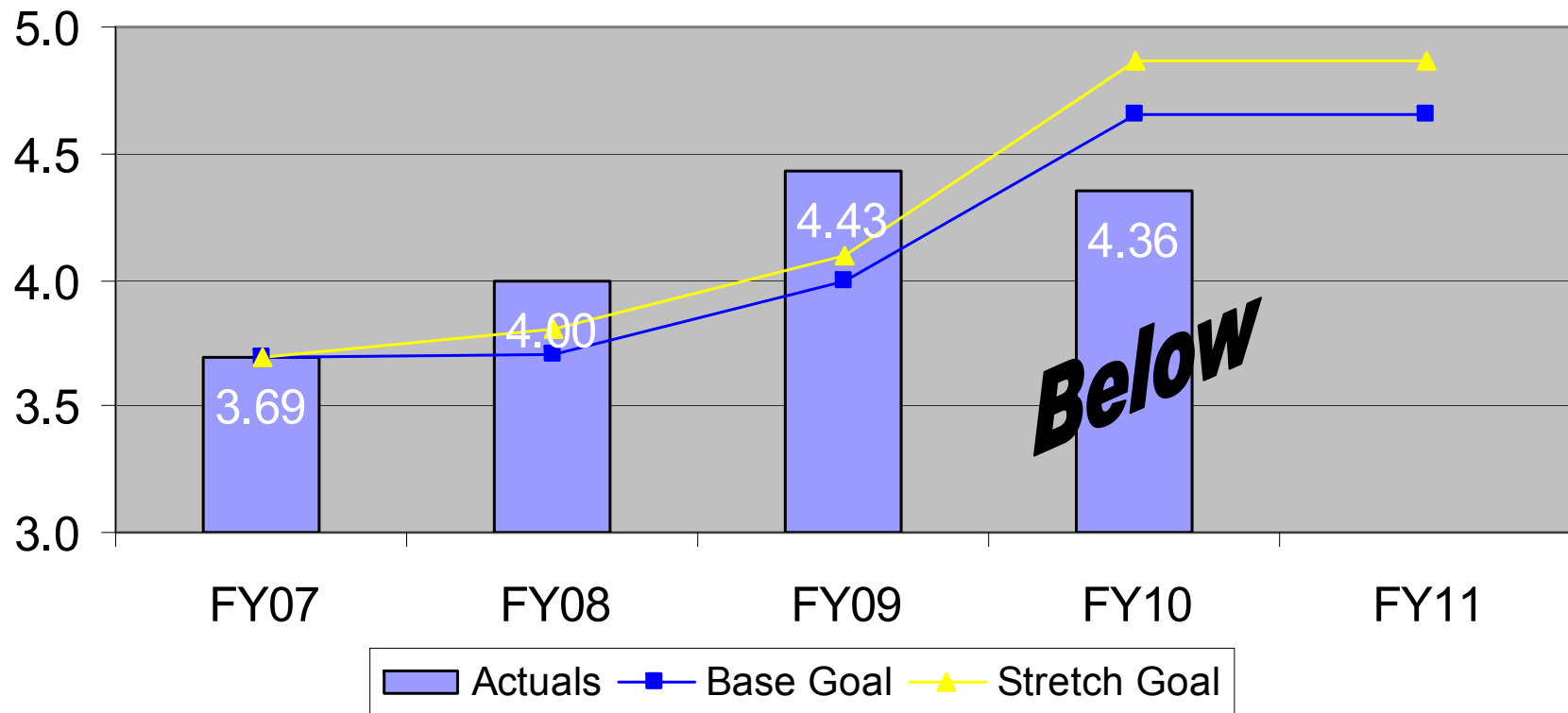
Note: VOE was redesigned for FY10 to focus on Employee Engagement



#5: Improve Business Partner Relationships

GOAL: Improve Supply Chain Relationship Management System (SCRMS) Rating (6 point scale)

FY10 & FY11 - Base: ≥ 4.65 Stretch: $\geq 4.87\%$



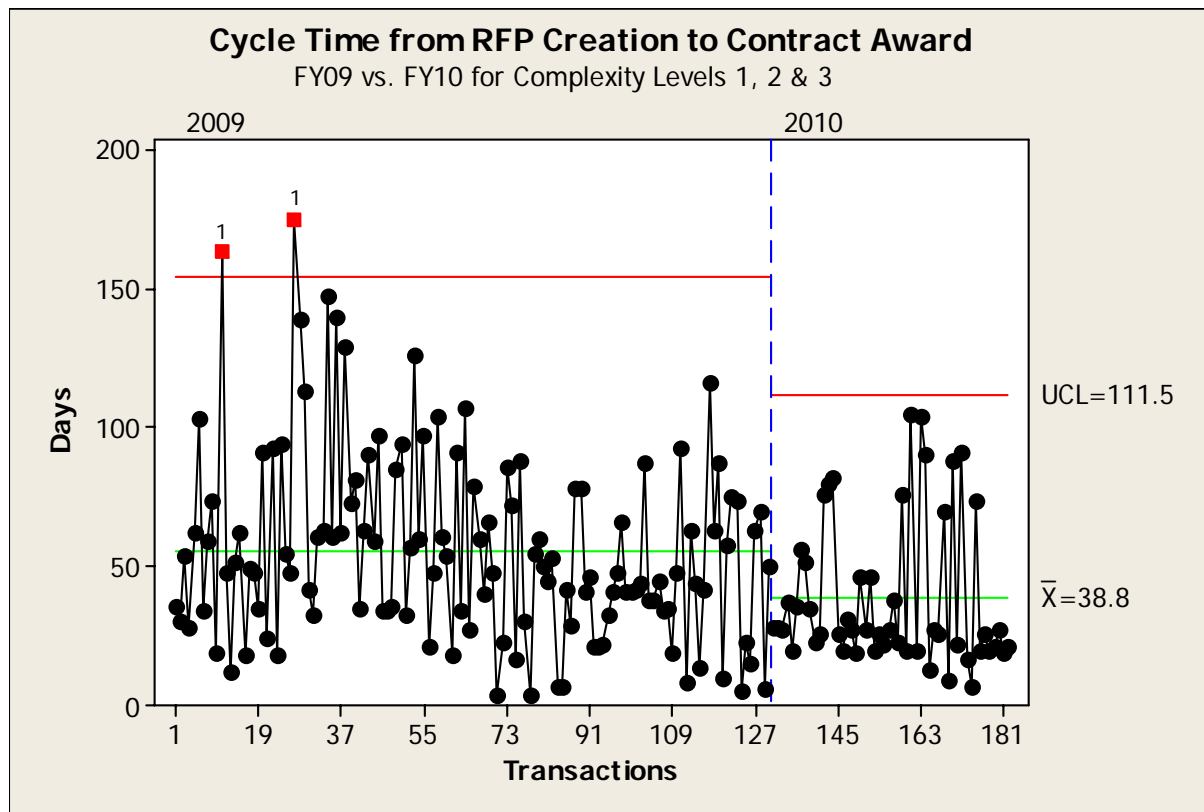
Note: 89% of performance reviews were completed, needs to be $>98\%$



#6: Improve Supply Chain Performance & Sustainable Business Practices

GOAL: Improve Sourcing Processes and Cycle Time

Lean Six Sigma Project



- Data
 - (130) 2009 contracts
 - (52) 2010 contracts
- Mean decreased from 56 to 39 days (30%)
- Median decreased from 49 to 27 days (44%)
- Reduced variation
 - Reduced Standard Deviations
 - Fewer out of control observations

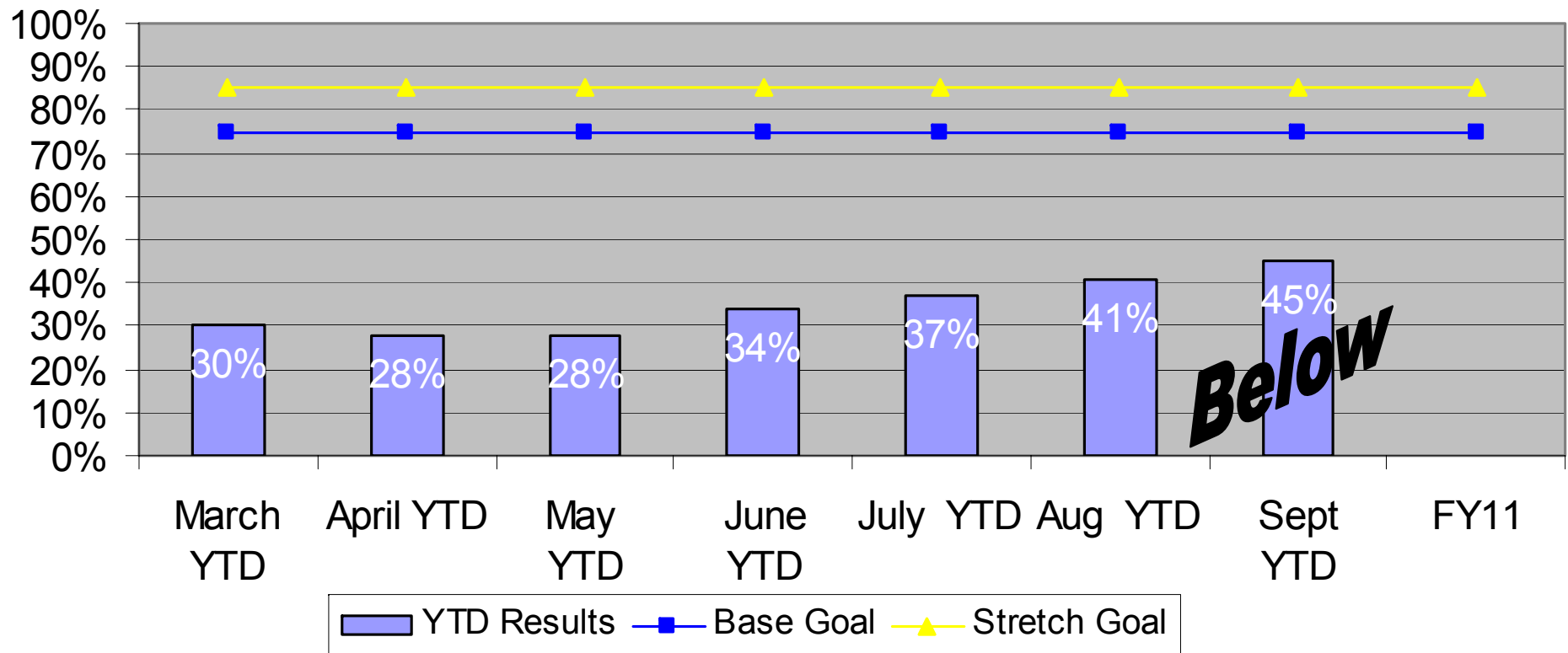


#6: Improve Supply Chain Performance & Sustainable Business Practices

GOAL: % of competitive solicitations executed through the eSourcing solution

(eSourcing events / Total Competitive Solicitations) (FY10 - Q2 to Q4, FY11 - Q1 to Q4)

FY10 & FY11 Base: $\geq 75\%$ Stretch: $\geq 85\%$

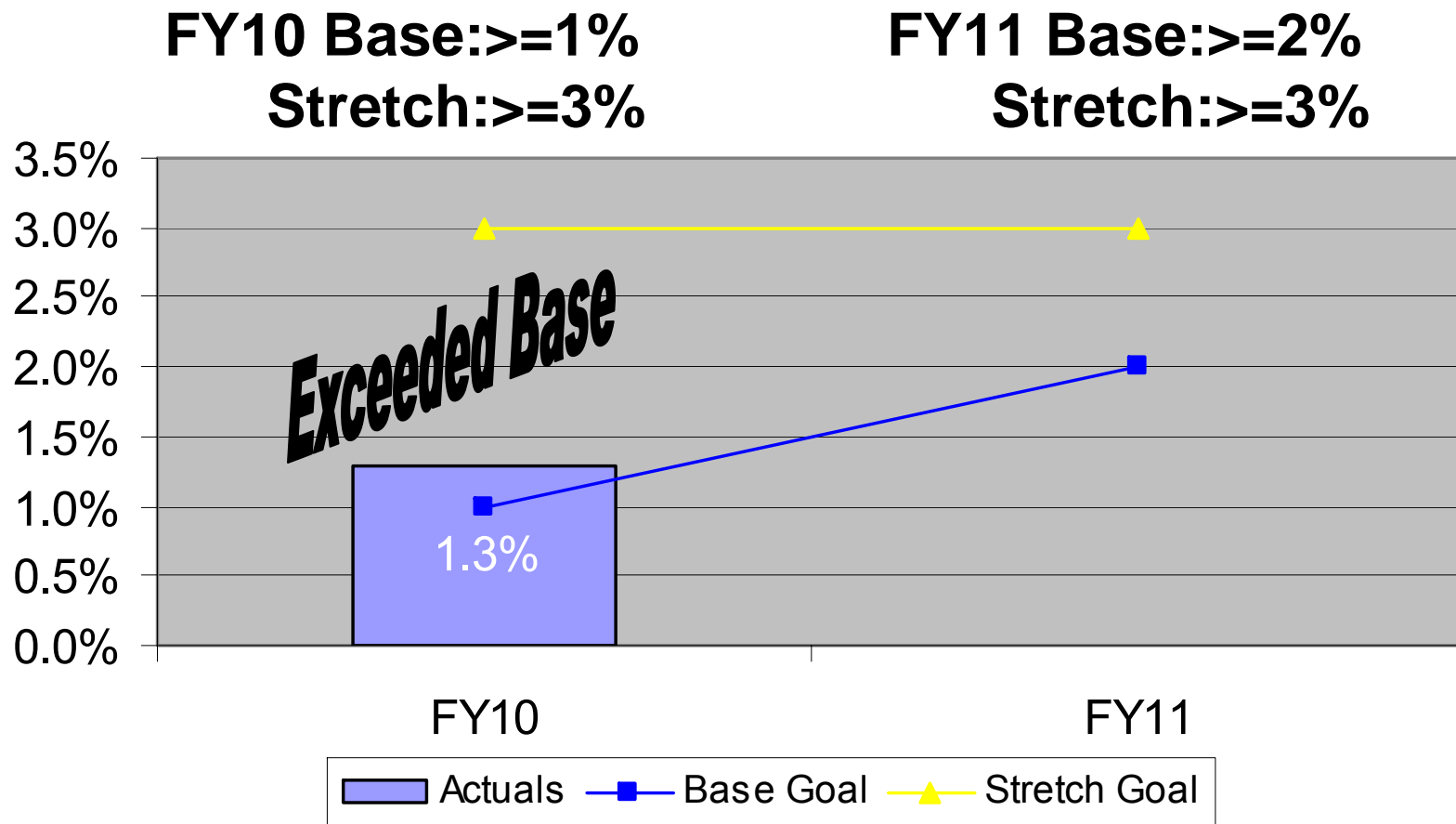




#6: Improve Supply Chain Performance & Sustainable Business Practices

GOAL: % of Environmentally Preferable Products On-Catalog

(Total EPP On-Catalog Items / Total On-Catalog Items)



Note: Reduced total # of On-Catalog items by over 100,000 since launch of eBuy2



#6: Improve Supply Chain Performance & Sustainable Business Practices

FY11 GOALS

- ❑ **Implement Sourcing Policy and Execution Improvements**
 - Noncompetitive Purchasing
 - Competition Advocacy
 - Annual Contract Reporting (includes system coding changes)
 - Delegations of Authority
 - Contract Management Process and System Training

- ❑ **Improve Adherence to Purchasing Policy Requirements**
 - Improve contract file compliance rates to $\geq 98\%$ by end of FY11

PSC FY10 Actions and FY11 Focus

Barry Switzer
President & CEO, Ashton Potter



FY10 PSC Actions

- ❑ Input into the SM Strategic Plan

- ❑ Input into Lean Six Sigma – Improve Sourcing Processes
 - 28% response rate
 - Prefer e-mail solicitations but open to moving to eSourcing with the right training and more information on evaluation factors

- ❑ Supplier Code of Business Ethics and Conduct Policy Survey
 - 54% response rate
 - 92% of respondents had a Code of Business Ethics and Conduct Policy

- ❑ OIG – Competitive/Non-Competitive Purchasing Survey
 - 36% response rate
 - 78% of respondents had criteria related to non-competitive purchases yet only 22% tracked non-competitive purchases



- ❑ Support USPS vision to “Be a Sustainability Leader”**
 - Increase % of Environmentally Preferable Products on eBuy2 catalogs**
 - Sustainability data capture**
 - National Postal Forum session**

- ❑ Share leading practices on improving contract data, reliability and usage**

- ❑ Provide input on the Postal Accountability and Enhancement Act of 2006**



"Be a Sustainability Leader" - Background

Vision 2013: Be a Sustainability Leader

**(Internal Focus)
Build a conservation
culture within USPS**

*Engage employees to minimize total
cost of operations and non
renewable resource use*

**(External Focus)
Lead adoption of
sustainable business practices**

*Minimize environmental and social
impact while maximizing revenues
and value to our customers*

Overview - http://www.usps.com/green/sspp/2010/sspp_overview.pdf

Detailed Report - http://www.usps.com/green/sspp/2010/sspp_2010.pdf



15 Corporate Sustainability Goals

Focus Area	USPS Sustainability Goals		Lead Office
Greenhouse gas	1	Reduce scope 1&2 GHG emissions 20% by FY 2020	Operations/ Sustainability
	2	Reduce select scope 3 GHG emissions 20% by FY 2020	
Facility energy	3	Reduce total facility energy use 30% by FY 2015	Facilities
Owned-vehicle fuel	4	Reduce owned-vehicle petroleum fuel use 20% by FY 2015	Delivery Operations
	5	Increase owned-vehicle alternative fuel use 10% annually by FY 2015	Operations
Waste	6	Reduce waste to landfill 50% by FY 2015	Employee Resource Management
Materials	7	Reduce spend on consumables 30% by FY 2020	Operations
	8	Increase % of identified environmentally preferable products (EPP) available for purchase on-catalog (eBuy2) by 50% by FY 2015	Supply Mgmt.
Water	9	Reduce water use 10% by FY 2015	Facilities



Increase % of Environmentally Preferable Products on eBuy2 catalogs

- ❑ **Task:** Identify ways to increase the % of Environmentally Preferable Products on eBuy2 catalogs

- ❑ **How**

- Increase # of EPP identified items

- Current EPP indicators



- Identify New EPP indicators

- Decrease # of catalog items

- ❑ **Supplier Leads**

- Jim Dunn – Grainger
- Matt Baer – OfficeMax



15 Corporate Sustainability Goals

Focus Area	USPS Sustainability Goals		Lead Office
Employees	10	Deploy lean green teams to 100% of USPS districts and network distribution centers by FY 2012.	Sustainability
Suppliers	11	Reduce contract transportation petroleum fuel use 20% by FY 2020.	Network Operations
	12	Require suppliers with current contract commitments of over \$500,000 to provide sustainability data by FY 2015.	Supply Mgmt.
	13	Include standard USPS sustainability clauses in new contract actions by FY 2015.	Supply Mgmt.
Customers	14	Offer customers a range of sustainable products and services by FY 2012, including at least two new customer offerings.	Mailing & Shipping Services
Peers	15	Outperform the international postal sector's average annual carbon management performance score, as calculated by the International Post Corporation (IPC).	Operations/ Sustainability



Sustainability Data Capture

- ❑ **Task:** Provide input on requirements and easy of use from a supplier perspective for a USPS supplier sustainability data capture solution
- ❑ **How...share leading practices**
 - used to capture spend on sustainable items
 - used to capture sustainable business practices being executed by suppliers
 - on how to make the solution easy for us as suppliers to use and submit the data
 - on sustainability related contract clauses that we as suppliers are putting into our contracts
- ❑ **Supplier Lead**
 - John Kassiri – Foth Production Solutions



National Postal Forum Session

- ❑ **Task:** Partner with the USPS to promote sustainable supply chains at the National Postal Forum.
- ❑ **How**
 - Conduct a panel discussion on sustainable supply chain leading practices used by the USPS and suppliers to operate in a more financial, environmental and socially responsible fashion.
 - Focused on communicating successes and how the audience members can implement similar activities within their own companies
- ❑ **Supplier Lead**
 - Barry Switzer – Ashton Potter



Share leading practices on improving contract data, reliability and usage

- ❑ **Task:** Share leading practices on improving contract data, reliability and usage
- ❑ **How...share leading practices related to**
 - what contract data we as suppliers capture via our contract management systems
 - how we use the data
 - ◆ C-suite reporting
 - ◆ Performance & Risk management
 - ◆ Spend & Contract analytics
 - how we ensure data integrity
 - ◆ Training
 - ◆ Compliance reviews
- ❑ **Supplier Lead**
 - Nicki Bland – Northrop Grumman



Input on Postal Accountability and Enhancement Act of 2006

- ❑ **Task:** Provide input on the Postal Accountability and Enhancement Act of 2006
- ❑ **How**
 - Review and understand the Act - More information is available at <http://www.usps.com/postallaw/welcome.htm>
 - Send all comments to transformation@usps.gov by Jan 15th, 2011.
- ❑ **Supplier Lead**
 - All

PSC FY10 Actions and FY11 Focus

Barry Switzer
President & CEO, Ashton Potter

Questions

Susan Brownell

Vice President Supply Management

2010 Postal Supplier Council Conference Team

Thank You!

Robert Hall

Marie Martinez

Bev Rynex

Vanessa Smith

Coretha Summers

Rupert Warner

Janice Williams-Hopkins

Gladys Harrison

Joe Mathes

Sonya Baugham-Jackson

Beverly Daniel

Sheila Daout

Andrea Johnson

Audio/Visual Crew

Please complete the Conference Evaluation Form

Closing Remarks

Leaner, Faster, Smarter

Susan Brownell
Vice President Supply Management



ADJOURN

Thank you for your participation!

Please complete the Conference Evaluation Form