usps | re:supply
news our suppliers can use

Issue 17

November 20, 2013

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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 Financial System Upgrade is Successfully Completed

Normal Payment Processing Resumes

The upgrade to the USPS National Financial System has been successfully completed and we have started to process queued files. It will take the system another day to complete processing the backlog of transactions that developed during the upgrade. All processing is expected to be back to normal tomorrow, November 21, 2013.

Thank you for your patience and support during this upgrade process!

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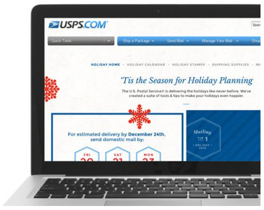
Online Customers Can Visit USPS Site for All of Their Holiday Shipping Needs
Includes Suite of Tools and Tips to Make Your Holidays Even Happier



Online customers can visit www.usps.com/holiday for all of their holiday shipping needs.

The festive site informs customers about key holiday information, including mailing deadlines, holiday stamps and shipping tips.

The page also highlights the options available online to make shipping during the busy season more convenient, such as ordering supplies, Click-N-Ship and Package Pickup.

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U.S. Postal Service Loses $5 Billion in 2013 Fiscal Year
Despite Revenue Growth and Record Productivity

The U.S. Postal Service ended the 2013 fiscal year (October 1, 2012 – September 30, 2013) with a net loss of $5 billion. This marks the 7th consecutive year in which the Postal Service incurred a net loss, highlighting the need to continue to capitalize on growth opportunities, reduce costs, and enact comprehensive legislation to provide a long-term solution to the agency's financial challenges.

Even though the Postal Service has implemented a number of strategies that resulted in $15 billion in annual expense reductions since the Postal Accountability and Enhancement Act was passed in 2006, the combination of onerous mandates in existing law and continued First-Class Mail volume declines threatens the Postal Service's financial viability.

"We've achieved some excellent results for the year in terms of innovations, revenue gains and cost reductions, but without major legislative changes we cannot overcome the limitations of our inflexible business model," said Patrick Donahoe, Postmaster General and Chief Executive Officer. "Congress is moving forward with legislation that has the potential to give us greater flexibility and put us back on a firm financial footing, and we strongly encourage that they continue moving forward."

Results of Operations
Highlights of yearly results compared to the same period last year include:

- Total mail volume was 158.4 billion pieces compared to 159.8 billion pieces a year ago. Package and Standard Mail volumes grew by 210 million pieces and 1.4 billion pieces, respectively, while the most profitable product, First-Class Mail, fell by 2.8 billion pieces, led by single-piece volume decline.

- Operating revenue, excluding a $1.3 billion non-cash change in an accounting estimate, was $66 billion compared to $65.2 billion in 2012. While this is the first growth in revenue since 2008, declining First-Class Mail revenue continues to negatively impact financial results.

- Operating expenses were $72.1 billion in 2013 compared to $81 billion in 2012. Approximately $8.2 billion of this decrease resulted from higher, legally mandated retiree health care benefit expenses and higher non-cash Workers' Compensation expense in 2012. Expenses in 2013 include a required $5.6 billion contribution to retiree health care benefits that the Postal Service was unable to make. Continued lack of legislation will likely force the Postal Service to continue to default on these payments. Savings from plant consolidations, restructuring hours at Post Offices, reductions in delivery units, and workforce optimization resulted in approximately $1 billion of savings in 2013.

- The net loss for the year, which was decreased by a $1.3 billion non-cash change in estimate, was $5 billion. However, this change in accounting estimate has no impact on the Postal Service's receipt of cash, or cash on hand, nor does it lessen the severity of its current liquidity situation.

The Postal Service continues to grow its Package Services business. From fiscal year 2012 to fiscal year 2013, revenue from Package Services increased by $923 million, or 8 percent, on a volume increase of 210 million pieces (6 percent). By developing innovative services to appeal to the growing parcel delivery market, Shipping and Package Services grew to $12.5 billion, representing approximately 19 percent of revenues. Standard Mail revenue grew by $487 million, or 3 percent, on a volume increase of 1.8 percent.

"Our productivity reached an all-time high in 2013, increasing 1.9 percent, compared to 2012," said Chief Financial Officer and Executive Vice President Joseph Corbett. "This marks our fourth consecutive year of positive total factor productivity growth since the depths of the recession in 2009."

Work hours in 2013 decreased by 12 million or 1.1 percent, despite an increase of approximately 774,000 delivery points during 2013.

At the end of the 2012 fiscal year, the Postal Service reached its statutory debt ceiling of $15 billion for the first time, and it remains at the limit at the end of the 2013 fiscal year. "Our liquidity continues to be dangerously low and our liabilities exceed our assets by approximately $40 billion," said Corbett. "This underscores the need for Congress to pass legislation that improves our financial position and that gives the Postal Service a more flexible business model to improve its cash flow. Despite reaching the debt limit, Postal Service mail operations and delivery continue as usual and employees and suppliers continue to be paid on time."

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Restrictions on Giving Gifts to USPS Employees
A Matter of Ethics

Holidays and gift giving seem to go hand-in-hand. If you are a Postal Service supplier or potential supplier who intends to give a gift to a postal employee, however, your well-intentioned gesture could be an ethics problem for both you and the postal employee.

There are a number of reasons why giving a gift to a postal employee can create more headaches than good will.

Gifts can create problems for postal employees. Federal regulations prevent executive branch employees, including postal employees, from accepting any gift from a prohibited source (including suppliers and potential suppliers) unless it qualifies for an exception or exclusion from the gifts prohibition.

Federal ethics regulations define a gift as *almost anything of monetary value.* Examples of gifts include: meals; parties and receptions; boxes of sweets; gift certificates and retail gift cards; merchandise; events tickets; fruit or gift baskets; transportation; floral arrangements, and others. Cash is a prohibited gift *in any form*: checks, money orders, and items that can be converted to cash, such as stocks and financial institutions' gift cards.

Certain items are specifically excluded from the definition of "gift," and may be accepted. These "non-gifts" include modest food and refreshments, such as soft drinks, coffee, and doughnuts; greeting cards and other items with little intrinsic value (such as plaques, certificates and trophies intended solely for presentation), and items for which an employee has paid market value (usually, retail price).

Sometimes a gift may be accepted using "exceptions" to the gifts rule. Avoiding even the *appearance* of impropriety in our business relationships is so important, however, that the Postal Service's ethics office often advises employees not to accept any gift offered by a prohibited source, even when an exception might apply.

When a gift is not accepted, it must be properly disposed of. Generally, the gift is returned to the giver with a letter of explanation. If a gift can't be returned because it is perishable, the employee and his supervisor have to decide what to do with it – and allowing the employee to keep it is not one of the options.

Gifts can also create problems for you. Every Postal Service contract includes language making it potential grounds for termination of the contact for giving a postal employee a gift intended to lead to a contract award or other favorable treatment.

The *Gratuities or Gifts* clause in Postal Service contracts contains the following language:

The Postal Service may terminate this contract for default if, after notice and a hearing, the Postal Service Board of Contract Appeals determines that the supplier or the supplier's agent or other representative:

- Offered or gave a gratuity or gift (as defined by 5 C.F.R. 2635) to an officer or employee of the Postal Service; and

- Intended by the gratuity or gift to obtain a contract or favorable treatment under a contract.

No matter how well-intentioned, gift-giving can create improper appearances for all concerned. If you have questions about giving gifts to postal employees, please contact the Postal Service's Ethics Office at (202) 268-6346, or *ethics.help@usps.gov*.

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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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