

**UNITED STATES  
POSTAL SERVICE**

# FINANCIAL & OPERATING STATEMENTS



**Accounting Period 6, PFY 2003  
January 25 – February 21, 2003**

**Prepared by:  
Financial Reporting and Analysis**

**Highlights**  
**Accounting Period 6, FY 2003**  
**(Millions)**

| Accounting Period 6 |                |                |          |                |        |
|---------------------|----------------|----------------|----------|----------------|--------|
| Actual              | Budget         | Var. to Budget | % Budget | SPLY*          | % SPLY |
| \$ 5,265.5          | \$ 5,410.0     | [\$ - 144.5]   | [ - 2.7] | \$ 5,051.5     | 4.2    |
| <u>5,221.2</u>      | <u>5,415.8</u> | <u>- 194.6</u> | - 3.6    | <u>5,261.1</u> | - 0.8  |
| \$ 44.3             | \$ (- 5.8)     | \$ 50.1        | -        | \$ (- 209.6)   | -      |
| \$ 59.6             | \$ 132.9       | \$ - 73.3      | - 55.2   | \$ - 5.6       | -      |
| 113.4               | 114.2          | - 0.8          | - 0.7    | 118.0          | - 3.9  |

| Year-to-Date (September 7, 2002 - February 21, 2003) |                 |                  |          |                 |        |
|--|-----------------|------------------|----------|-----------------|--------|
| Actual   | Budget          | Var. to Budget   | % Budget | SPLY *          | % SPLY |
| \$ 32,779.3  | \$ 33,365.0     | [\$ - 585.7]     | [ - 1.8] | \$ 31,006.4     | 5.7    |
| <u>31,124.6</u>                                      | <u>32,195.3</u> | <u>- 1,070.7</u> | - 3.3    | <u>30,900.6</u> | 0.7    |
| \$ 1,654.7   | \$ 1,169.7      | \$ 485.0         | -        | \$ 105.8        | -      |
| \$ 631.1   | \$ 787.6        | \$ - 156.5       | - 19.9   | \$ 557.3        | 13.2   |
| 691.3  | 698.1           | - 6.8            | - 1.0    | 722.4           | - 4.3  |
| 96,182.0   | 97,554.1        | [ - 1,372.1]     | [ - 1.4] | 95,440.4        | 0.8    |

[ ] = Unfavorable variance to budget

Note: Totals may not sum due to rounding.

Note: Mail Volume numbers are preliminary numbers and are subject to change.

\*SPLY data may differ from previous reports due to subsequent adjustments.

| Number Of:                                    | Current Period | Last Period | SPLY    |
|---|----------------|-------------|---------|
| Post Offices                                  | 27,694         | 27,722      | 27,867  |
| Postal Owned Vehicles In Use                  |                |             |         |
| Administrative                                | 5,409          | 5,413       | 5,542   |
| Operations                                    | 201,115        | 201,153     | 203,742 |
| Total Deliveries (000) **                     | 140,281        | 140,197     | 138,483 |
| City Delivery Routes                          | 166,213        | 165,515     | 167,471 |
| Rural Routes                                  | 69,489         | 69,475      | 69,564  |
| Career Employees (Excludes Inspector General) | 740,742        | 743,646     | 767,069 |
| Casual Employees                              | 19,819         | 22,860      | 23,749  |
| Transitional Employees                        | 13,757         | 14,528      | 12,863  |

\*\* Beginning in Accounting Period 3, Fiscal Year 2003, this line has been modified to include all deliveries: city, rural post office box and contracted highway deliveries. Prior year data has been restated.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

Statement of Income & Expense  
Accounting Period 6, FY 2003  
(\$ Millions)

| Current Period |                |                |              |                |              | Year-to-Date    |                 |                  |              |                 |              |
|----------------|----------------|----------------|--------------|----------------|--------------|-----------------|-----------------|------------------|--------------|-----------------|--------------|
| Actual         | Budget         | Var. to Budget | % Budget     | SPLY*          | % SPLY       | Actual          | Budget          | Var. to Budget   | % Budget     | SPLY*           | % SPLY       |
| \$ 5,261.5     | \$ 5,407.7     | [\$ - 146.2]   | [ - 2.7]     | \$ 5,049.3     | 4.2          | \$ 32,756.0     | \$ 33,347.7     | [\$ - 591.7]     | [ - 1.8]     | \$ 30,991.6     | 5.7          |
| <u>5,068.9</u> | <u>5,261.0</u> | <u>- 192.1</u> | <u>- 3.7</u> | <u>5,109.4</u> | <u>- 0.8</u> | <u>30,196.6</u> | <u>31,258.8</u> | <u>- 1,062.2</u> | <u>- 3.4</u> | <u>29,983.7</u> | <u>0.7</u>   |
| \$ 192.6       | \$ 146.7       | \$ 45.9        | -            | \$ - 60.1      | -            | \$ 2,559.4      | \$ 2,088.9      | \$ 470.5         | -            | \$ 1,007.9      | -            |
| 4.0            | 2.3            | 1.7            | 70.7         | 2.2            | 77.0         | 23.3            | 17.3            | 6.0              | 35.0         | 14.8            | 57.1         |
| - 28.5         | - 31.0         | 2.5            | - 8.1        | - 25.6         | 11.0         | - 185.0         | - 193.5         | 8.5              | - 4.4        | - 160.2         | 15.5         |
| <u>- 123.8</u> | <u>- 123.8</u> | <u>0.0</u>     | <u>0.0</u>   | <u>- 126.1</u> | <u>- 1.8</u> | <u>- 743.0</u>  | <u>- 743.0</u>  | <u>0.0</u>       | <u>0.0</u>   | <u>- 756.7</u>  | <u>- 1.8</u> |
| \$ 44.3        | \$ (- 5.8)     | \$ 50.1        | -            | \$ (- 209.6)   | -            | \$ 1,654.7      | \$ 1,169.7      | \$ 485.0         | -            | \$ 105.8        | -            |

[ ]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

\*SPLY data may differ from previous reports due to subsequent adjustments.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

**MAIL VOLUME - MAIL REVENUE**

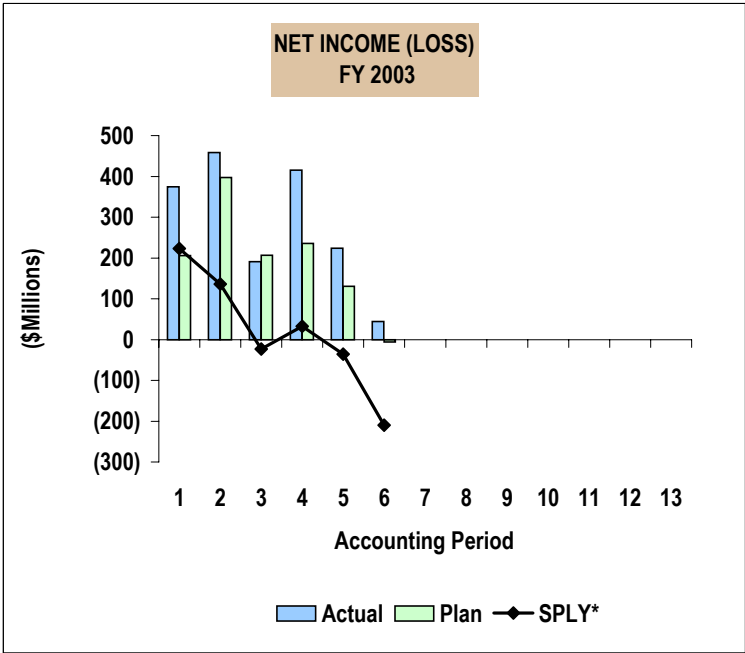
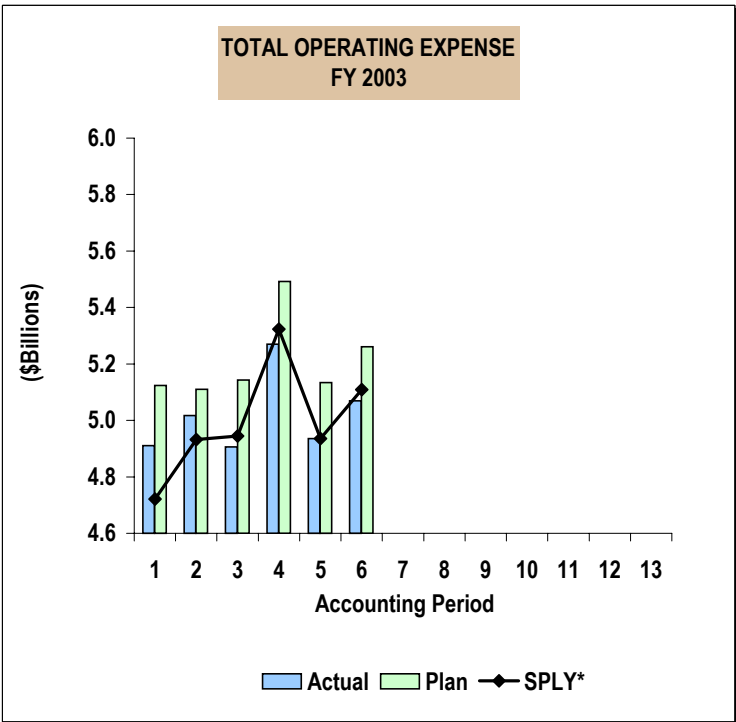
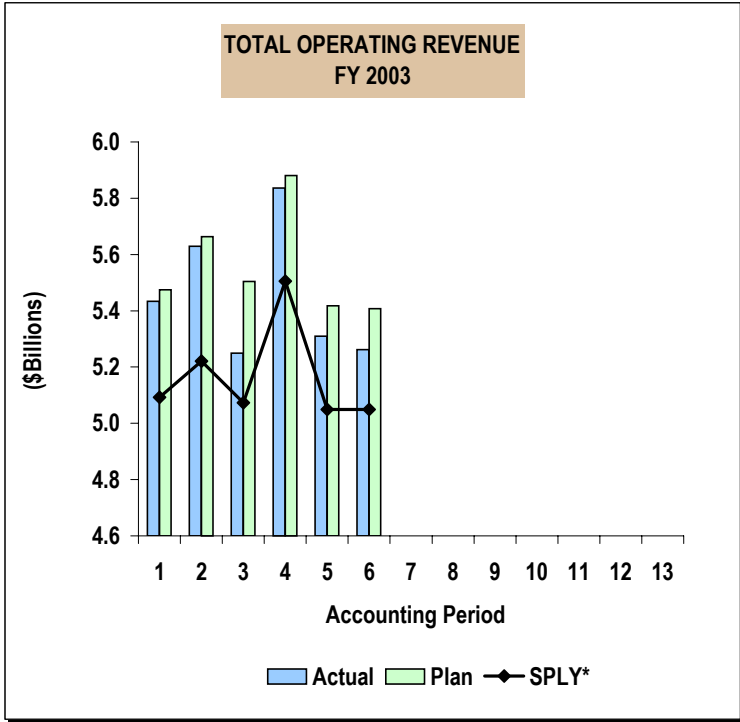
(Data in Thousands)

| CATEGORY                | CURRENT PERIOD |               |        | YEAR-TO-DATE  |               |        |
|-------------------------|----------------|---------------|--------|---------------|---------------|--------|
|                         | QTR II         | QTR II        | % SPLY | QTR II        | QTR II        | % SPLY |
|                         | FY 2003        | FY 2002       |        | FY 2003       | FY 2002       |        |
| <b>FIRST-CLASS</b>      |                |               |        |               |               |        |
| VOLUME                  | 24,613,638     | 25,022,882    | - 1.6  | 47,308,726    | 48,346,877    | - 2.1  |
| REVENUE                 | \$ 9,176,170   | \$ 8,721,871  | 5.2    | \$ 17,726,890 | \$ 16,909,283 | 4.8    |
| REV/PC.                 | 0.3728         | 0.3486        | 7.0    | 0.3747        | 0.3497        | 7.1    |
| <b>PRIORITY-MAIL</b>    |                |               |        |               |               |        |
| VOLUME                  | 221,464        | 260,817       | - 15.1 | 419,645       | 489,235       | - 14.2 |
| REVENUE                 | \$ 1,207,816   | \$ 1,255,351  | - 3.8  | \$ 2,241,847  | \$ 2,303,951  | - 2.7  |
| REV/PC.                 | 5.4538         | 4.8131        | 13.3   | 5.3422        | 4.7093        | 13.4   |
| <b>EXPRESS MAIL</b>     |                |               |        |               |               |        |
| VOLUME                  | 13,091         | 14,888        | - 12.1 | 25,746        | 28,270        | - 8.9  |
| REVENUE                 | \$ 212,026     | \$ 220,669    | - 3.9  | \$ 413,675    | \$ 415,133    | - 0.4  |
| REV/PC.                 | 16.1963        | 14.8219       | 9.3    | 16.0675       | 14.6846       | 9.4    |
| <b>PERIODICALS</b>      |                |               |        |               |               |        |
| VOLUME                  | 2,168,263      | 2,249,171     | - 3.6  | 4,338,791     | 4,539,234     | - 4.4  |
| REVENUE                 | \$ 506,043     | \$ 486,603    | 4.0    | \$ 1,051,146  | \$ 1,005,902  | 4.5    |
| REV/PC.                 | 0.2334         | 0.2163        | 7.9    | 0.2423        | 0.2216        | 9.3    |
| <b>STANDARD MAIL</b>    |                |               |        |               |               |        |
| VOLUME                  | 19,217,806     | 18,720,674    | 2.7    | 42,875,072    | 40,823,041    | 5.0    |
| REVENUE                 | \$ 3,665,086   | \$ 3,338,201  | 9.8    | \$ 8,155,237  | \$ 7,317,327  | 11.5   |
| REV/PC.                 | 0.1907         | 0.1783        | 7.0    | 0.1902        | 0.1792        | 6.1    |
| <b>PACKAGE SERVICES</b> |                |               |        |               |               |        |
| VOLUME                  | 286,050        | 267,589       | 6.9    | 542,009       | 515,101       | 5.2    |
| REVENUE                 | \$ 594,728     | \$ 542,426    | 9.6    | \$ 1,117,338  | \$ 1,030,485  | 8.4    |
| REV/PC.                 | 2.0791         | 2.0271        | 2.6    | 2.0615        | 2.0005        | 3.0    |
| <b>INTERNATIONAL</b>    |                |               |        |               |               |        |
| VOLUME                  | 250,318        | 243,675       | 2.7    | 449,878       | 459,663       | - 2.1  |
| REVENUE                 | \$ 423,070     | \$ 420,386    | 0.6    | \$ 786,912    | \$ 790,312    | - 0.4  |
| REV/PC.                 | 1.6901         | 1.7252        | - 2.0  | 1.7492        | 1.7193        | 1.7    |
| <b>ALL OTHER</b>        |                |               |        |               |               |        |
| VOLUME                  | 107,549        | 98,934        | 8.7    | 222,141       | 238,996       | - 7.1  |
| REVENUE                 | \$ 372         | \$ 138        | -      | \$ 604        | \$ 565        | 7.1    |
| <b>ALL MAIL</b>         |                |               |        |               |               |        |
| VOLUME                  | 46,878,179     | 46,878,630    | - 0.0  | 96,182,009    | 95,440,418    | 0.8    |
| REVENUE                 | \$ 15,785,312  | \$ 14,985,646 | 5.3    | \$ 31,493,648 | \$ 29,772,957 | 5.8    |
| REV/PC.                 | 0.3367         | 0.3197        | 5.3    | 0.3274        | 0.3120        | 5.0    |

NOTE: Totals may not sum due to rounding.

NOTE: "This data reflects PRELIMINARY estimates of revenue, pieces and weight by mail class and are subject to change. Limits on available data and statistical variations due to sampling warrant that AP estimates be used with caution.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.



\*SPLY data may differ from previous reports due to subsequent adjustments.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

**REVENUE BY SOURCE**  
**Accounting Period 6, FY 2003**  
**(\$ Millions)**

| Current Period    |                   |            |   | Year-to-Date       |                    |            |
|-------------------|-------------------|------------|---|--------------------|--------------------|------------|
| Actual            | SPLY*             | % SPLY     |   | Actual             | SPLY*              | % SPLY     |
|                   |                   |            | <b>Operating Revenue:</b>                         |                    |                    |            |
| \$ 2,009.6        | \$ 1,946.4        | 3.2        | Metered Postage                                   | \$ 12,079.8        | \$ 11,620.9        | 3.9        |
| 878.3             | 850.4             | 3.3        | Stamps and Stamped Paper                          | 5,735.1            | 5,465.0            | 4.9        |
| 1,184.6           | 1,094.4           | 8.2        | Permit Imprint                                    | 7,676.3            | 6,896.2            | 11.3       |
| 167.2             | 165.1             | 1.3        | Periodicals & Standard                            | 1,041.3            | 996.8              | 4.5        |
| 64.8              | 61.5              | 5.4        | Official Mail                                     | 426.1              | 413.3              | 3.1        |
| 741.7             | 706.0             | 5.0        | Presort First-Class & Package Svc./Permit Imprint | 4,479.5            | 4,374.8            | 2.4        |
| 59.1              | 53.4              | 10.7       | Box Rents   | 345.6              | 320.0              | 8.0        |
| 15.3              | 19.2              | - 20.3     | Money Order Fees                                  | 87.4               | 100.9              | - 13.4     |
| <u>138.4</u>      | <u>149.2</u>      | - 7.2      | Other   | <u>870.1</u>       | <u>781.2</u>       | 11.4       |
| <b>\$ 5,259.0</b> | <b>\$ 5,045.6</b> | <b>4.2</b> | <b>Subtotal</b>                                   | <b>\$ 32,741.2</b> | <b>\$ 30,969.1</b> | <b>5.7</b> |
|                   |                   |            | <b>Government Appropriation:</b>                  |                    |                    |            |
| <u>2.5</u>        | <u>3.7</u>        | - 34.3     | Revenue Forgone                                   | <u>14.8</u>        | <u>22.5</u>        | - 34.3     |
| <b>\$ 5,261.5</b> | <b>\$ 5,049.3</b> | <b>4.2</b> | <b>Total Operating Revenue</b>                    | <b>\$ 32,756.0</b> | <b>\$ 30,991.6</b> | <b>5.7</b> |
| <u>4.0</u>        | <u>2.2</u>        | 77.0       | Investment Income                                 | <u>23.3</u>        | <u>14.8</u>        | 57.1       |
| <b>\$ 5,265.5</b> | <b>\$ 5,051.5</b> | <b>4.2</b> | <b>Total Revenue</b>                              | <b>\$ 32,779.3</b> | <b>\$ 31,006.4</b> | <b>5.7</b> |

Note: Totals may not sum due to rounding.

\*SPLY data may differ from previous reports due to subsequent adjustments.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

**REVENUE BY CATEGORY**  
**Accounting Period 6, FY 2003**  
**(\$ Millions)**

| Current Period    |                   |                 |  | Year-to-Date       |                    |                 |
|-------------------|-------------------|-----------------|--|--------------------|--------------------|-----------------|
| Actual            | Budget            | % Budget        |  | Actual             | Budget             | % Budget        |
|                   |                   |                 | <b>Commercial Revenue</b>                    |                    |                    |                 |
| \$ 2,141.5        | \$ 2,210.0        | [ - 3.1]        | Permit Revenue                               | \$ 13,501.1        | \$ 13,667.7        | [ - 1.2]        |
| <u>1,767.7</u>    | <u>1,842.6</u>    | [ - 4.1]        | Other Commercial Accounts Revenue            | <u>10,576.1</u>    | <u>11,228.9</u>    | [ - 5.8]        |
| <b>\$ 3,909.2</b> | <b>\$ 4,052.6</b> | <b>[ - 3.5]</b> | <b>Total Commercial Revenue</b>              | <b>\$ 24,077.2</b> | <b>\$ 24,896.6</b> | <b>[ - 3.2]</b> |
|                   |                   |                 | <b>Retail Revenue</b>                        |                    |                    |                 |
| 1,085.7           | 1,081.5           | 0.4             | Retail Postage Revenue                       | 7,017.0            | 6,819.6            | 2.9             |
| 83.8              | 79.1              | 6.0             | Retail Services Revenue                      | 478.3              | 473.2              | 1.1             |
| 11.8              | 9.0               | 31.2            | Retail Products Revenue                      | 74.5               | 56.3               | 32.4            |
| <u>142.6</u>      | <u>147.3</u>      | [ - 3.2]        | Other Retail Channels Revenue                | <u>879.5</u>       | <u>890.9</u>       | [ - 1.3]        |
| <b>\$ 1,323.9</b> | <b>\$ 1,316.9</b> | <b>0.5</b>      | <b>Total Retail Revenue</b>                  | <b>\$ 8,449.3</b>  | <b>\$ 8,240.0</b>  | <b>2.5</b>      |
| <b>\$ 5,233.1</b> | <b>\$ 5,369.5</b> | <b>[ - 2.5]</b> | <b>Total Commercial &amp; Retail Revenue</b> | <b>\$ 32,526.5</b> | <b>\$ 33,136.6</b> | <b>[ - 1.8]</b> |
| 25.9              | 35.7              | [ - 27.5]       | Other Income                                 | 214.7              | 196.3              | 9.4             |
| <u>2.5</u>        | <u>2.5</u>        | 0.0             | Revenue Forgone                              | <u>14.8</u>        | <u>14.8</u>        | 0.0             |
| <b>\$ 5,261.5</b> | <b>\$ 5,407.7</b> | <b>[ - 2.7]</b> | <b>Total Operating Revenue</b>               | <b>\$ 32,756.0</b> | <b>\$ 33,347.7</b> | <b>[ - 1.8]</b> |
| <u>4.0</u>        | <u>2.3</u>        | 70.7            | Investment Income                            | <u>23.3</u>        | <u>17.3</u>        | 35.0            |
| <b>\$ 5,265.5</b> | <b>\$ 5,410.0</b> | <b>[ - 2.7]</b> | <b>Total Revenue</b>                         | <b>\$ 32,779.3</b> | <b>\$ 33,365.0</b> | <b>[ - 1.8]</b> |

[ ]=Unfavorable variance to budget  
Note: Totals may not sum due to rounding.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.





**ANALYSIS OF OPERATING EXPENSES**  
**Accounting Period 6, FY 2003**  
**Personnel Compensation**  
**(\$ Millions)**

| Current Period    |                   |                 |             |                   |             |                                      | Year-to-Date       |                    |                  |             |                    |            |
|-------------------|-------------------|-----------------|-------------|-------------------|-------------|--------------------------------------|--------------------|--------------------|------------------|-------------|--------------------|------------|
| Actual            | Budget            | Var. to Budget  |             | SPLY *            | % SPLY      | Total Compensation                   | Actual             | Budget             | Var. to Budget   |             | SPLY *             | % SPLY     |
| \$ 27.4           | \$ 27.4           | [\$ 0.1]        | [ 0.3]      | \$ 26.5           | 3.6         | Operations:                          | \$ 158.2           | \$ 159.2           | \$ -1.0          | -0.6        | \$ 154.5           | 2.4        |
| 844.8             | 850.4             | -5.6            | -0.7        | 860.3             | -1.8        | -Support                             | 5,184.0            | 5,250.5            | -66.6            | -1.3        | 5,285.1            | -1.9       |
| 335.9             | 337.9             | -2.1            | -0.6        | 326.8             | 2.8         | -Mail Processing                     | 1,990.2            | 1,999.3            | -9.1             | -0.5        | 1,940.9            | 2.5        |
| 1,166.7           | 1,147.5           | [ 19.3]         | [ 1.7]      | 1,139.0           | 2.4         | -Rural Delivery                      | 6,937.8            | 6,867.3            | [ 70.5]          | [ 1.0]      | 6,639.2            | 4.5        |
| 84.3              | 83.1              | [ 1.1]          | [ 1.4]      | 81.7              | 3.2         | -City Delivery**                     | 499.8              | 495.3              | [ 4.5]           | [ 0.9]      | 489.3              | 2.2        |
| 212.1             | 215.8             | -3.6            | -1.7        | 202.4             | 4.8         | -Vehicles Services                   | 1,245.3            | 1,270.4            | -25.1            | -2.0        | 1,195.5            | 4.2        |
| 566.6             | 565.7             | [ 0.9]          | [ 0.2]      | 570.8             | -0.7        | -Plant & Equip Maint                 | 3,398.0            | 3,409.2            | -11.2            | -0.3        | 3,421.7            | -0.7       |
| 18.4              | 21.0              | -2.6            | -12.4       | 19.4              | -5.4        | -Customer Services                   | 108.3              | 125.4              | -17.2            | -13.7       | 116.3              | -6.9       |
| 25.3              | 26.1              | -0.8            | -3.0        | 24.7              | 2.7         | Finance                              | 145.2              | 151.1              | -5.8             | -3.9        | 143.1              | 1.5        |
| 39.7              | 41.8              | -2.1            | -5.0        | 36.6              | 8.4         | Human Resources                      | 231.6              | 244.4              | -12.8            | -5.2        | 198.4              | 16.7       |
| 178.5             | 170.8             | [ 7.8]          | [ 4.5]      | 180.2             | -1.0        | Customer Service & Sales             | 1,012.1            | 992.3              | [ 19.7]          | [ 2.0]      | 965.5              | 4.8        |
| 127.9             | 191.2             | -63.2           | -33.1       | 133.1             | -3.8        | Administration                       | 785.6              | 1,027.6            | -242.0           | -23.6       | 1,112.3            | -29.4      |
| <b>\$ 3,627.7</b> | <b>\$ 3,678.5</b> | <b>\$ -50.8</b> | <b>-1.4</b> | <b>\$ 3,601.5</b> | <b>0.7</b>  | <b>Total Salaries &amp; Benefits</b> | <b>\$ 21,696.0</b> | <b>\$ 21,992.1</b> | <b>\$ -296.0</b> | <b>-1.3</b> | <b>\$ 21,661.9</b> | <b>0.2</b> |
| 119.6             | 119.8             | -0.2            | -0.2        | 112.4             | 6.4         | Workers' Compensation                | 718.4              | 719.0              | -0.6             | -0.1        | 504.6              | 42.4       |
| 7.7               | 7.7               | 0.0             | 0.0         | 6.8               | 12.6        | Unemployment Compensation            | 46.1               | 46.1               | 0.0              | 0.0         | 38.9               | 18.5       |
| 107.9             | 107.9             | 0.0             | 0.0         | 107.9             | 0.0         | Deferred Retirement Cost             | 647.2              | 647.2              | 0.0              | 0.0         | 647.5              | -0.0       |
| 69.3              | 69.3              | 0.0             | 0.0         | 65.3              | 6.1         | CSRS Annuitant COLA                  | 415.8              | 415.8              | 0.0              | 0.0         | 411.6              | 1.0        |
| 89.4              | 89.4              | 0.0             | 0.0         | 73.5              | 21.6        | Annuitant Health Benefits            | 536.5              | 536.5              | 0.0              | 0.0         | 476.2              | 12.7       |
| 8.1               | 20.4              | -12.3           | -60.3       | 76.7              | -89.4       | Other Compensation                   | 64.4               | 120.6              | -56.2            | -46.6       | -14.6              | -542.4     |
| <b>\$ 4,029.7</b> | <b>\$ 4,093.0</b> | <b>\$ -63.3</b> | <b>-1.5</b> | <b>\$ 4,044.2</b> | <b>-0.4</b> | <b>Total Personnel Compensation</b>  | <b>\$ 24,124.5</b> | <b>\$ 24,477.3</b> | <b>\$ -352.8</b> | <b>-1.4</b> | <b>\$ 23,726.1</b> | <b>1.7</b> |

[ ]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

\*SPLY data may differ from previous reports due to subsequent adjustments.

\*\*The line formerly identified as Other Delivery has been renamed to better identify operations.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

**ANALYSIS OF NON-PERSONNEL EXPENSES**  
**Accounting Period 6, FY 2003**  
**(\$ Millions)**

| Current Period    |                   |                 |              |                   |             |                                       | Year-to-Date      |                   |                 |              |                   |             |  |
|-------------------|-------------------|-----------------|--------------|-------------------|-------------|---------------------------------------|-------------------|-------------------|-----------------|--------------|-------------------|-------------|--|
| Actual            | Budget            | Var. to Budget  |              | SPLY *            | % SPLY      | Description                           | Actual            | Budget            | Var. to Budget  |              | SPLY *            | % SPLY      |  |
| \$ 373.6          | \$ 396.0          | \$ -22.4        | -5.7         | \$ 390.6          | -4.4        | Transportation                        | \$ 2,415.2        | \$ 2,530.6        | \$ -115.4       | -4.6         | \$ 2,492.8        | -3.1        |  |
| 186.0             | 243.4             | -57.4           | -23.6        | 219.2             | -15.2       | Supplies & Services                   | 979.5             | 1,288.1           | -308.6          | -24.0        | 1,103.6           | -11.2       |  |
| 173.4             | 192.1             | -18.7           | -9.7         | 179.1             | -3.2        | Depreciation                          | 1,050.4           | 1,135.2           | -84.8           | -7.5         | 1,059.5           | -0.9        |  |
| 82.4              | 80.8              | [ 1.6 ]         | [ 1.9 ]      | 77.2              | 6.7         | Rent                                  | 399.0             | 408.7             | -9.7            | -2.4         | 386.9             | 3.1         |  |
| 46.6              | 42.4              | [ 4.3 ]         | [ 10.0 ]     | 38.4              | 21.4        | Fuel & Utilities                      | 218.6             | 237.1             | -18.6           | -7.8         | 215.1             | 1.6         |  |
| 30.7              | 31.6              | -0.9            | -2.9         | 29.4              | 4.7         | Rural Carrier Equip Maint Allowance   | 181.6             | 187.0             | -5.3            | -2.9         | 178.9             | 1.5         |  |
| 36.3              | 33.6              | [ 2.7 ]         | [ 8.0 ]      | 31.1              | 16.7        | Vehicle Maintenance                   | 199.7             | 192.2             | [ 7.5 ]         | [ 3.9 ]      | 181.4             | 10.1        |  |
| 28.4              | 33.3              | -4.9            | -14.7        | 21.8              | 30.3        | Information Technology                | 161.7             | 249.8             | -88.1           | -35.3        | 154.1             | 4.9         |  |
| 8.5               | 35.3              | -26.8           | -75.9        | 12.3              | -31.0       | Building Projects Expensed            | 59.4              | 115.4             | -56.0           | -48.6        | 68.1              | -12.8       |  |
| 5.9               | 5.5               | [ 0.4 ]         | [ 7.8 ]      | 5.4               | 9.9         | Contract Job Cleaners                 | 34.6              | 33.1              | [ 1.5 ]         | [ 4.4 ]      | 32.5              | 6.6         |  |
| 12.2              | 11.2              | [ 1.0 ]         | [ 8.6 ]      | 8.9               | 37.3        | Travel & Relocation                   | 59.7              | 61.3              | -1.6            | -2.6         | 50.9              | 17.2        |  |
| 15.9              | 17.0              | -1.1            | -6.7         | 18.9              | -15.8       | Communications                        | 80.7              | 91.8              | -11.1           | -12.1        | 84.4              | -4.5        |  |
| 5.3               | 6.3               | -0.9            | -15.0        | 5.9               | -9.5        | Contract Stations                     | 30.5              | 31.9              | -1.4            | -4.4         | 31.5              | -3.2        |  |
| 1.6               | 3.7               | -2.0            | -55.8        | 2.2               | -25.0       | Printing                              | 9.8               | 14.9              | -5.1            | -34.1        | 13.4              | -26.9       |  |
| 3.8               | 6.2               | -2.5            | -39.6        | 4.5               | -16.1       | Training                              | 20.2              | 34.3              | -14.0           | -40.9        | 22.8              | -11.2       |  |
| 2.7               | 4.4               | -1.8            | -39.8        | 4.3               | -38.7       | Carfare & Tolls                       | 24.7              | 27.1              | -2.3            | -8.6         | 26.9              | -8.2        |  |
| 1.7               | 2.7               | -1.0            | -37.6        | 2.5               | -33.2       | Vehicle Hire                          | 10.7              | 15.7              | -5.0            | -31.6        | 15.8              | -32.1       |  |
| 6.4               | 3.8               | [ 2.6 ]         | [ 68.0 ]     | 5.1               | 24.8        | Accident Cost                         | 22.2              | 19.9              | [ 2.3 ]         | [ 11.3 ]     | 21.2              | 4.7         |  |
| -1.1              | -3.6              | [ 2.5 ]         | [ 68.8 ]     | -1.7              | -34.3       | Capitalized Interest                  | -10.0             | -21.4             | [ 11.4 ]        | [ 53.4 ]     | -17.6             | -43.3       |  |
| 18.9              | 22.2              | -3.3            | -14.9        | 10.0              | -           | Miscellaneous                         | 123.9             | 129.0             | -5.1            | -3.9         | 135.3             | -8.4        |  |
| <b>\$ 1,039.2</b> | <b>\$ 1,168.0</b> | <b>\$-128.8</b> | <b>-11.0</b> | <b>\$ 1,065.2</b> | <b>-2.4</b> | <b>Total Other Operating Expenses</b> | <b>\$ 6,072.1</b> | <b>\$ 6,781.5</b> | <b>\$-709.4</b> | <b>-10.5</b> | <b>\$ 6,257.6</b> | <b>-3.0</b> |  |

[ ]=Unfavorable variance to budget

\*SPLY data may differ from previous reports due to subsequent adjustments.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

| <b>STATEMENT OF FINANCIAL POSITION</b>                                     |                         |                         |                         |
|--|-------------------------|-------------------------|-------------------------|
| Accounting Period 6, FY 2003   |                         |                         |                         |
| (\$ Millions)  |                         |                         |                         |
| <b>Assets</b>  | February 21,<br>2003    | January 24,<br>2003     | September 30,<br>2002 * |
| <b>Current Assets:</b>   |                         |                         |                         |
| Cash and cash equivalents _1/  | \$ 1,619                | \$ 1,114                | \$ 1,150                |
| U.S. Government securities, at amortized<br>cost which approximates market | 6                       | 6                       | 6                       |
| <b>Receivables:</b>  |                         |                         |                         |
| Foreign countries  | 690                     | 658                     | 592                     |
| U.S. Government  | 116                     | 118                     | 125                     |
| Other  | 182                     | 215                     | 192                     |
|  | <u>988</u>              | <u>991</u>              | <u>909</u>              |
| Less allowances  | 117                     | 116                     | 112                     |
|  | <u>871</u>              | <u>875</u>              | <u>797</u>              |
| Supplies, advances and prepayments   | <u>320</u>              | <u>317</u>              | <u>327</u>              |
| <b>Total Current Assets</b>  | <b>2,816</b>            | <b>2,312</b>            | <b>2,280</b>            |
| Other assets _2/   | 368                     | 368                     | 368                     |
| <b>Property and equipment, at cost:</b>                                    |                         |                         |                         |
| Buildings  | 19,725                  | 19,624                  | 19,513                  |
| Equipment  | 16,846                  | 16,673                  | 16,421                  |
| Land   | <u>2,779</u>            | <u>2,782</u>            | <u>2,776</u>            |
|  | 39,350                  | 39,079                  | 38,710                  |
| Less allowances for depreciation   | <u>17,133</u>           | <u>16,991</u>           | <u>16,401</u>           |
|  | 22,217                  | 22,088                  | 22,309                  |
| Construction in progress   | 955                     | 1,150                   | 1,223                   |
| Leasehold improvements, net  | <u>615</u>              | <u>622</u>              | <u>604</u>              |
|  | 23,787                  | 23,860                  | 24,136                  |
| Deferred Retirement Costs _3/  | <u>32,893</u>           | <u>33,070</u>           | <u>32,231</u>           |
| <b>Total Assets</b>  | <b><u>\$ 59,864</u></b> | <b><u>\$ 59,610</u></b> | <b><u>\$ 59,015</u></b> |

\_1/ Includes securities with maturities of 90 days or less in accordance with Statement of Financial Accounting Standards (SFAS) No. 95.

\_2/ Appropriation receivable for revenue forgone.

\_3/ Represents the Postal Service's deferred retirement liability for CSRS to OPM for increases in basic pay and annuitants' COLAs. Amounts applicable to future periods are capitalized as deferred retirement costs and amortized over 30 years for basic pay and 15 years for annuitants' COLAs.

\* Audited year-end data

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

| <b>STATEMENT OF FINANCIAL POSITION</b>                  |                              |                             |                                 |
|---|------------------------------|-----------------------------|---------------------------------|
| <b>Accounting Period 6, FY 2003</b>                     |                              |                             |                                 |
| <b>(\$ Millions)</b>                                    |                              |                             |                                 |
| <b>Liabilities and Equities</b>                         | <b>February 21,<br/>2003</b> | <b>January 24,<br/>2003</b> | <b>September 30,<br/>2002 *</b> |
| <b>**Current Liabilities:</b>                           |                              |                             |                                 |
| Compensation and employees' benefits                    | \$ 5,113                     | \$ 5,035                    | \$ 5,113                        |
| Estimated prepaid postage                               | 1,508                        | 1,507                       | 1,500                           |
| <b>Payables and accrued expenses:</b>                   |                              |                             |                                 |
| Foreign countries                                       | 840                          | 828                         | 748                             |
| U.S. Government   | 189                          | 261                         | 246                             |
| Other - Including Emergency Preparedness Appropriations | <u>2,272</u>                 | <u>2,278</u>                | <u>1,167</u>                    |
|   | 3,301                        | 3,367                       | 2,161                           |
| Appropriation for free & reduced rate mail              | 19                           | 22                          | 0                               |
| Prepaid permit mail and box rentals                     | 2,036                        | 2,013                       | 2,011                           |
| Outstanding postal money orders                         | 866                          | 802                         | 986                             |
| Current portion of debt                                 | <u>951</u>                   | <u>951</u>                  | <u>3,815</u>                    |
| <b>Total Current Liabilities</b>                        | <b>13,794</b>                | <b>13,697</b>               | <b>15,586</b>                   |
| <b>Long-term debt, less current portion</b>             | <b>6,524</b>                 | <b>6,524</b>                | <b>7,300</b>                    |
| <b>Other Liabilities:</b>                               |                              |                             |                                 |
| Amounts payable for retirement benefits _3/             | 31,495                       | 31,495                      | 30,046                          |
| Workers' compensation claims                            | 6,467                        | 6,347                       | 5,815                           |
| Employees' accumulated leave                            | 1,816                        | 1,812                       | 2,088                           |
| Other   | <u>1,443</u>                 | <u>1,441</u>                | <u>1,182</u>                    |
| <b>Total Other Liabilities</b>                          | <b>41,221</b>                | <b>41,095</b>               | <b>39,131</b>                   |
| Capital Contributions of the US Government              | 3,034                        | 3,034                       | 3,034                           |
| Deficit Since Reorganization                            | <u>- 4,709</u>               | <u>- 4,740</u>              | <u>- 6,036</u>                  |
| Equity/Capital Deficiency                               | <u>- 1,675</u>               | <u>- 1,706</u>              | <u>- 3,002</u>                  |
| <b>Total Liabilities and Equity</b>                     | <b><u>\$ 59,864</u></b>      | <b><u>\$ 59,610</u></b>     | <b><u>\$ 59,015</u></b>         |

\_3/ Represents the Postal Service's deferred retirement liability for CSRS to OPM for increases in basic pay and annuitants' COLAs. Amounts applicable to future periods are capitalized as deferred retirement costs and amortized over 30 years for basic pay and 15 years for annuitants' COLAs.

\* Audited year-end data

\*\*Note: For reporting during the postal operating year (September 7, 2002 through September 5, 2003) certain salary and benefit impacts from the Compensation and employees' benefits line are shown in the Other Payables and accrued expenses line. For official end of the year reporting, this is reversed.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

| <b>STATEMENT OF CASH FLOWS</b>  |                 |
|---|-----------------|
| <b>Fiscal Year 2003</b>   |                 |
| <b>(\$ Millions)</b>  |                 |
| <b>For the Fiscal Year through February 21, 2003</b>  |                 |
| <b>Cash flows from operating activities:</b>  |                 |
| Net income/(loss) (Government Fiscal Year Basis)  | \$ 1,327        |
| Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities: |                 |
| Depreciation and amortization   | 1,038           |
| Increase/(decrease) in other liabilities  | 261             |
| Increase/(decrease) in employees' accumulated leave   | (272)           |
| Increase/(decrease) in non-current workers' compensation claims                                 | 652             |
| Increase/(decrease) in retirement, net  | 787             |
| Changes in current assets and liabilities:  |                 |
| Increase/(decrease) in accrued compensation and benefits  | 0               |
| Increase/(decrease) in deferred revenue   | 52              |
| Increase/(decrease) in payables and accrued expenses  | 1,140           |
| (Increase)/decrease in receivables  | (74)            |
| (Increase)/decrease in supplies, advances and prepayments                                       | 7               |
| Increase/(decrease) in outstanding postal money orders  | (120)           |
| <b>Net cash provided by operating activities</b>  | <b>4,798</b>    |
| <b>Cash flows from investing activities:</b>  |                 |
| Sale/(purchase) of U.S. Government securities, net  | 0               |
| Purchase and sale of property and equipment, net  | (689)           |
| <b>Net cash used in investing activities</b>  | <b>(689)</b>    |
| <b>Cash flows from financing activities:</b>  |                 |
| Increase/(decrease) in debt   | (3,640)         |
| (Increase)/decrease in other non-current assets   | 0               |
| <b>Net cash used by financing activities</b>  | <b>(3,640)</b>  |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                                     | <b>469</b>      |
| <b>Cash and cash equivalents at beginning of period</b>   | <b>1,156</b>    |
| <b>Cash and cash equivalents at end of period</b>   | <b>\$ 1,625</b> |

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

**CAPITAL INVESTMENTS**

**FY 2003**

(\$ Millions)

| MAJOR CATEGORIES                      | COMMITMENTS        |                 |                 | CASH OUTLAYS       |                 |                   |
|---------------------------------------|--------------------|-----------------|-----------------|--------------------|-----------------|-------------------|
|                                       | A/P 6 Year-to-Date |                 |                 | A/P 6 Year-to-Date |                 |                   |
|                                       | ACTUAL             | PLAN            | SPLY            | ACTUAL             | PLAN            | SPLY              |
| CONSTRUCTION AND BUILDING PURCHASE    | \$ 15.3            | \$ 25.1         | \$ 11.7         | \$ 60.4            | \$ 111.0        | \$ 122.9          |
| BUILDING IMPROVEMENTS                 | 35.3               | 53.1            | 34.7            | 68.7               | 94.9            | 95.0              |
| MAIL PROCESSING EQUIPMENT             | 455.1              | 509.5           | 426.7           | 296.5              | 268.2           | 583.0             |
| VEHICLES                              | 22.3               | 20.4            | - 4.0           | 17.0               | 70.1            | 92.0              |
| RETAIL EQUIPMENT                      | 2.5                | 0.0             | 8.1             | 3.8                | 55.9            | 29.2              |
| POSTAL SUPPORT EQUIPMENT              | 100.6              | 179.6           | 80.0            | 84.8               | 128.9           | 126.5             |
| <b>TOTAL COMMITMENTS/CASH OUTLAYS</b> | <b>\$ 631.1</b>    | <b>\$ 787.6</b> | <b>\$ 557.3</b> | <b>\$ 531.2</b>    | <b>\$ 728.9</b> | <b>\$ 1,048.6</b> |

**RESOURCES ON ORDER**

(\$ Millions)

| MAJOR CATEGORIES                   | February 21,<br>2003 | September 30,<br>2002 |
|------------------------------------|----------------------|-----------------------|
| CONSTRUCTION AND BUILDING PURCHASE | \$ 83.6              | \$ 132.3              |
| BUILDING IMPROVEMENTS              | 99.7                 | 157.1                 |
| MAIL PROCESSING EQUIPMENT          | 1,107.9              | 964.6                 |
| VEHICLES                           | 151.2                | 145.8                 |
| RETAIL EQUIPMENT                   | 39.7                 | 40.9                  |
| POSTAL SUPPORT EQUIPMENT           | 110.3                | 95.2                  |
| <b>TOTAL RESOURCES ON ORDER</b>    | <b>\$ 1,592.4</b>    | <b>\$ 1,535.9</b>     |

Note: Totals may not sum due to rounding.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

## WORK HOURS & OVERTIME/SICK LEAVE RATIOS

Accounting Period 6, FY 2003

(Data in Thousands)

| Current Period |                |          |         |        |                          | Year-to-Date |                |          |         |        |
|----------------|----------------|----------|---------|--------|--------------------------|--------------|----------------|----------|---------|--------|
| Actual         | Var. to Budget | % Budget | SPLY *  | % SPLY |                          | Actual       | Var. to Budget | % Budget | SPLY *  | % SPLY |
|                |                |          |         |        | <u>Total Work Hours</u>  |              |                |          |         |        |
|                |                |          |         |        | Operations:              |              |                |          |         |        |
| 705            | [ 5 ]          | [ 0.6 ]  | 705     | - 0.1  | -Support                 | 4,127        | - 25           | - 0.6    | 4,180   | - 1.3  |
| 26,893         | - 623          | - 2.3    | 29,042  | - 7.4  | -Mail Processing         | 170,268      | - 4,190        | - 2.4    | 183,900 | - 7.4  |
| 12,628         | - 178          | - 1.4    | 13,224  | - 4.5  | -Rural Delivery          | 75,762       | - 718          | - 0.9    | 78,972  | - 4.1  |
| 35,589         | [ 384 ]        | [ 1.1 ]  | 35,958  | - 1.0  | -City Delivery **        | 215,122      | [ 1,317 ]      | [ 0.6 ]  | 218,286 | - 1.4  |
| 2,475          | - 1            | - 0.0    | 2,533   | - 2.3  | -Vehicles Services       | 14,976       | [ 13 ]         | [ 0.1 ]  | 15,376  | - 2.6  |
| 6,344          | - 195          | - 3.0    | 6,394   | - 0.8  | -Plant & Equip Maint     | 37,915       | - 1,062        | - 2.7    | 38,166  | - 0.7  |
| 17,942         | - 46           | - 0.3    | 18,790  | - 4.5  | -Customer Services       | 108,975      | - 765          | - 0.7    | 114,445 | - 4.8  |
| 516            | - 70           | - 11.9   | 568     | - 9.2  | Finance                  | 3,075        | - 483          | - 13.6   | 3,426   | - 10.2 |
| 671            | - 15           | - 2.1    | 675     | - 0.5  | Human Resources          | 3,898        | - 156          | - 3.9    | 3,983   | - 2.1  |
| 1,147          | - 68           | - 5.6    | 1,116   | 2.8    | Customer Service & Sales | 6,785        | - 425          | - 5.9    | 6,159   | 10.2   |
| 5,226          | [ 176 ]        | [ 3.5 ]  | 5,156   | 1.4    | Administration           | 30,510       | [ 497 ]        | [ 1.7 ]  | 30,328  | 0.6    |
| 3,260          | - 185          | - 5.4    | 3,880   | - 16.0 | Other                    | 19,877       | - 827          | - 4.0    | 25,169  | - 21.0 |
| 113,395        | - 817          | - 0.7    | 118,041 | - 3.9  | <b>Total Work Hours</b>  | 691,290      | - 6,825        | - 1.0    | 722,388 | - 4.3  |

| Current Period |        |      | Overtime              |        |      |  |
|----------------|--------|------|-----------------------|--------|------|--|
| Actual         | Budget | SPLY | Actual                | Budget | SPLY |  |
| 8.1%           | 7.7%   | 7.4% | 8.5%                  | 8.5%   | 8.2% |  |
|                |        |      | <b>Overtime Ratio</b> |        |      |  |
|                |        |      | Per 100 Work Hours    |        |      |  |

| Current Period |        |      | Sick Leave              |        |      |  |
|----------------|--------|------|-------------------------|--------|------|--|
| Actual         | Budget | SPLY | Actual                  | Budget | SPLY |  |
| 4.2%           | --     | 4.1% | 4.1%                    | --     | 4.0% |  |
|                |        |      | <b>Sick Leave Ratio</b> |        |      |  |
|                |        |      | Per 100 Work Hours      |        |      |  |

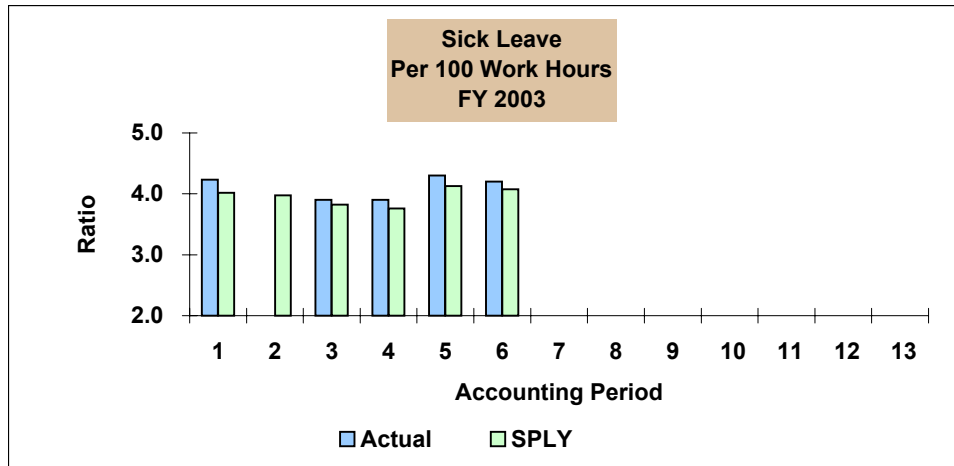
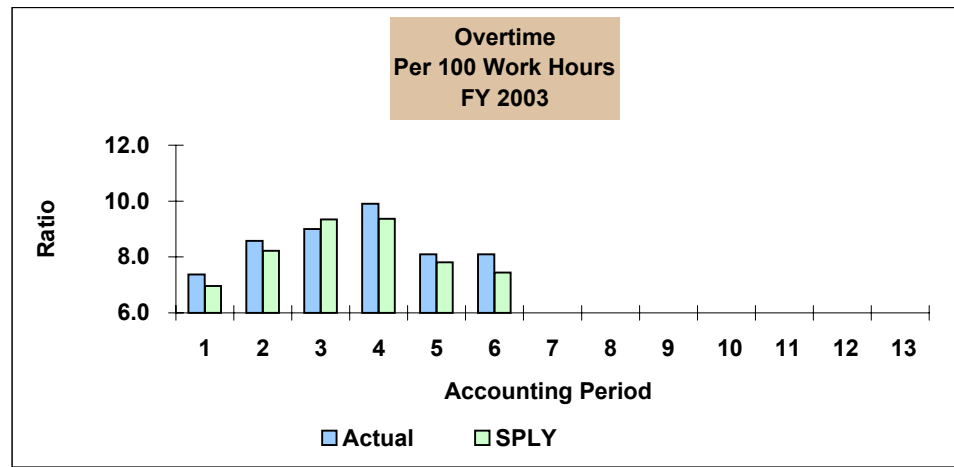
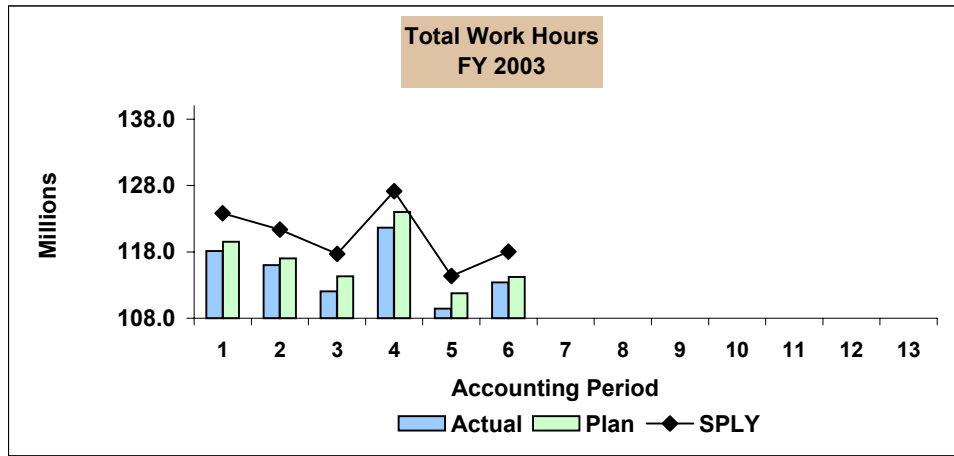
[ ]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

\*SPLY data may differ from previous reports due to subsequent adjustments.

\*\*The line formerly identified as Other Delivery has been renamed to better identify operations.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.



See accompanying Notes to the Financial and Operating Statements beginning on page 16.



## Accounting Period 6, FY 2003

### Notes to the Financial and Operating Statements

#### Revenue - Pages 1, 2, 3, 4, 5 and 6

Current period, Total Revenue was 2.7% or \$145 million under plan. Commercial Revenue was 3.5% or \$143 million under plan. The biggest drivers of the Commercial Revenue plan under run were Customer Meters at \$73 million below, and First-Class Permit Imprint Mail at \$21 million below. Total Retail Revenue was 0.5% or \$7 million over plan. Total Revenue grew by 4.2% or \$214 million over SPLY. The bulk of the increase to SPLY for total revenue was reflected in Permit Imprint and Metered Postage at \$90 million and \$63 million over, respectively. Also, contributing to this performance was the new postage rate structure implemented on June 30, 2002, which provided a 7.7% revenue increase across all mail categories.

Year-to-date (YTD), Total Revenue is \$586 million or 1.8% under plan. As compared to SPLY, Total Revenue has increased 5.7% fueled by a rate change on June 30, 2002. Most of the YTD plan under run, \$653 million, exists in Other Commercial Accounts. Of this amount, nearly \$669 million lies in Customer Meters. Compared to SPLY, YTD Total Revenue is 5.7% or \$1,773 million above. Permit Imprint, Metered Postage, and Stamps and Stamped Paper revenue combined are \$1.5 billion above SPLY.

#### Expenses - Pages 1, 2, 4, 7, 8 and 9

Current period, Total Expenses were \$195 million or 3.6% under plan. Both personnel and non-personnel costs were below plan. The biggest driver of the \$63 million underrun to plan in personnel costs was a continuation of cost containment activities and lower than expected mail volume. Work hours were 0.7% below plan and 3.9% below SPLY (see page 15) in both operational and non-operational areas. Favorable work hour performance was offset in part by increases in benefits expenses, primarily health benefits.

The biggest drivers of the \$129 million plan underrun in non-personnel costs, excluding Capitalized Interest expense, were Supplies and Services, Building Projects Expenses, Transportation, and Depreciation which were \$57 million, \$27 million, \$22 million, and \$19 million below plan, respectively.

YTD, Total Expenses were \$1,071 million or 3.3% below plan. Most of the YTD plan underrun lies in Personnel Compensation, \$353 million; Supplies and Services, \$309 million; Transportation, \$115 million; and Information Technology, \$88 million. Transformation Plan initiatives, Supply Chain Management, more effective utilization of our transportation network, and other cost containment initiatives have driven many of these savings; however, reduced workload due to lower mail volume has also had an impact. Spending plans for some initiatives are somewhat back-loaded, so the current trend of significant expense underruns may not continue. City Delivery personnel compensation is \$70 million above plan resulting from an increase in City Delivery work hour usage, 2.9 million hours more than planned partially spurred by the continuation in the growth of delivery points.

## Accounting Period 6, FY 2003

### Notes to the Financial and Operating Statements

#### Mail Volume and Revenue - Page 3

Total Mail Volume for Quarter II, Fiscal Year (FY) 2003, was 0.5 million pieces below SPLY, less than 0.1%. Standard Mail, Package Services, and International Mail were above SPLY while First-Class, Priority Mail, Express Mail, and Periodicals were below their Quarter II, FY 2002, levels.

The Total Mail Revenue for Quarter II, FY 2003 YTD was 5.8% above that reported during the same period last year (SPLY). Contributing to this performance was the new postage rate structure implemented on June 30, 2002, which provided a 7.7% revenue increase across all mail categories.

#### Capital Commitments - Pages 1 and 13

The Fiscal Year Capital Commitments through YTD, Quarter II, FY 2003 were \$631.1 million compared to a plan of \$787.6 million. This represents an underrun of about \$156.5 million or 19.9%. The single largest commitment made thus far in FY 2003 was \$315 million for the Automated Package Processing Systems project which has a projected return on investment of 24.4%.

The cash outlays YTD were \$531.2 million versus a plan of \$728.9 million, representing a \$197.7 million underrun to plan.

#### Work Hours - Pages 1, 14 and 15

Total work hours for the accounting period were 0.8 million hours below plan and 4.6 million hours below same period last year. A major contributor to the under run to same period last year was Mail Processing, which was 2.1 million hours less than SPLY. This reduction is all across the entire mail processing function, including automated, mechanized and manual distribution; remote barcoding operations; platform and indirect operations; and supervision. These reductions are a direct result of cost containment and efficiency improvement activities outlined in the Transformation Plan, as well as capturing work hours as a result of decreasing workload. At the end of Quarter II, a \$315 million adjustment was made to field budgets reflecting a continued projection of decreased workload.

Additionally, Other Work Hours, relating to Limited Duty, Rehabilitation and Headquarters General Management hours, played a major role. Current period it should be noted that Other Work Hours were 0.6 million hours below same period last year.

Total work hours for AP 6 YTD were reduced 31.1 million hours or 4.3% below SPLY. This reduction in work hours reflects the continuation of cost containment activities through the installation of more efficient mail processing equipment and other efficiency improvements. To date, Mail Processing work hours have been reduced 13.6 million hours below same period last year.

The AP 6 Overtime Ratio of 8.1, which was above plan and SPLY, was mostly influenced by the increase in Delivery Services overtime, 11.0% above SPLY. This was driven by an increase in delivery points and fewer career employees than last year.