



INTEGRATED FINANCIAL PLAN FISCAL YEAR 2005

**September 14, 2004
Board of Governors**



INTEGRATED FINANCIAL PLAN FY 2005

Topics of Discussion

FY 2005 Operating Plan

FY 2005 Capital Investment Plan

FY 2005 Financing Plan



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FISCAL YEAR 2005 OPERATING PLAN



INTEGRATED FINANCIAL PLAN FY 2005

FY 2005 IFP Summary

- **FY 2005- October 1, 2004 to September 30, 2005**
 - **Transformation Plan – FY 2002 to FY 2006**
 - ◆ **Take out \$5 Billion in annual spending**
 - ◆ **Over 5 years – Cumulative \$14 Billion in costs**
 - **FY 2005 – Third year without a postage rate increase**
 - **Strong volume growth – Advertising Mail**
 - **Less First-Class volume**
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INTEGRATED FINANCIAL PLAN FY 2005

Assumptions – FY 2005

- **Economy**
 - ◆ **Inflation Rate = 1.9%**

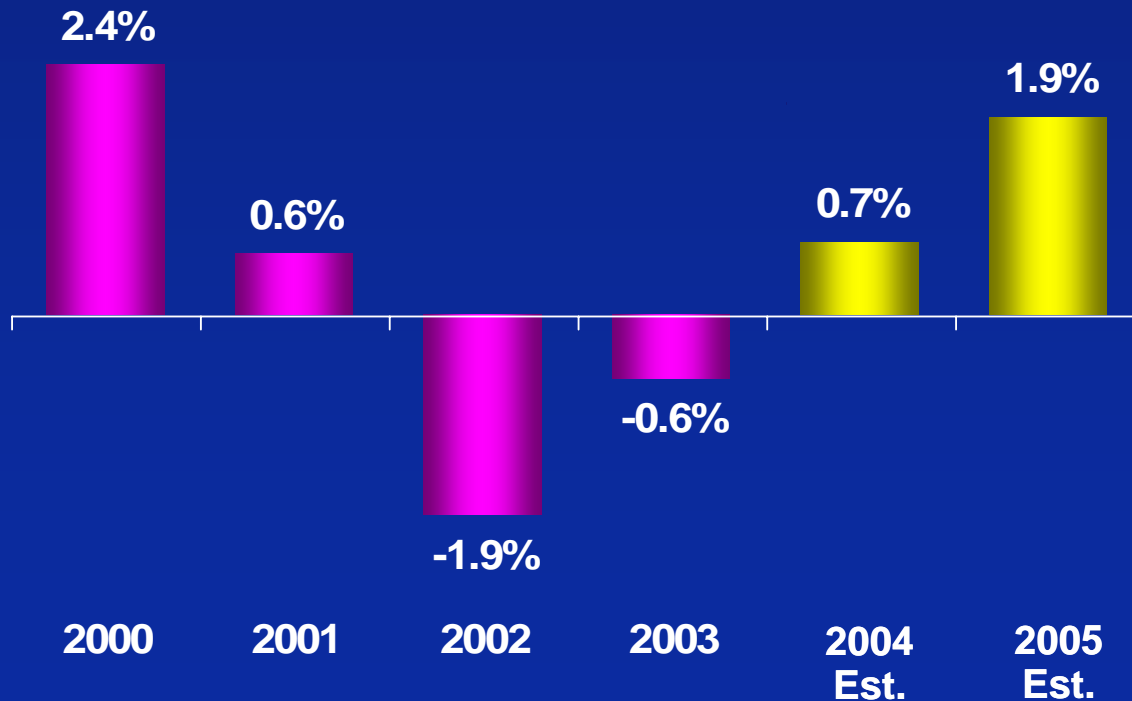


INTEGRATED FINANCIAL PLAN FY 2005

Assumptions – FY 2005

- Economy
 - ◆ Inflation Rate = 1.9%
 - ◆ Continued Job Growth

Economy-Wide Employment Growth-Percent Change



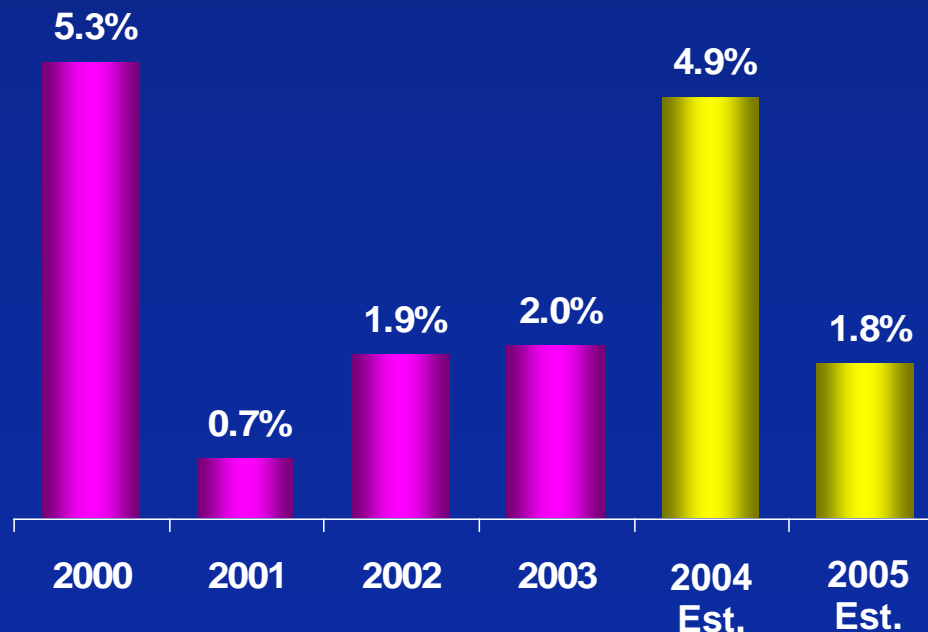


INTEGRATED FINANCIAL PLAN FY 2005

Assumptions – FY 2005

- **Economy**
 - ◆ Inflation Rate = 1.9%
 - ◆ Continued Job Growth
 - ◆ Slowing Retail Sales

Economy-Wide Retail Sales-Percent Change





INTEGRATED FINANCIAL PLAN FY 2005

Assumptions – FY 2005

- **Economy**
 - ◆ **Inflation Rate = 1.9%**
 - ◆ **Continued Job Growth**
 - ◆ **Slowing Retail Sales**
 - **Continued Electronic Diversion**
 - **No Extraordinary Events**
 - **No Cost for Postal Reform Included in 2005**
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INTEGRATED FINANCIAL PLAN FY 2005

Income Statement

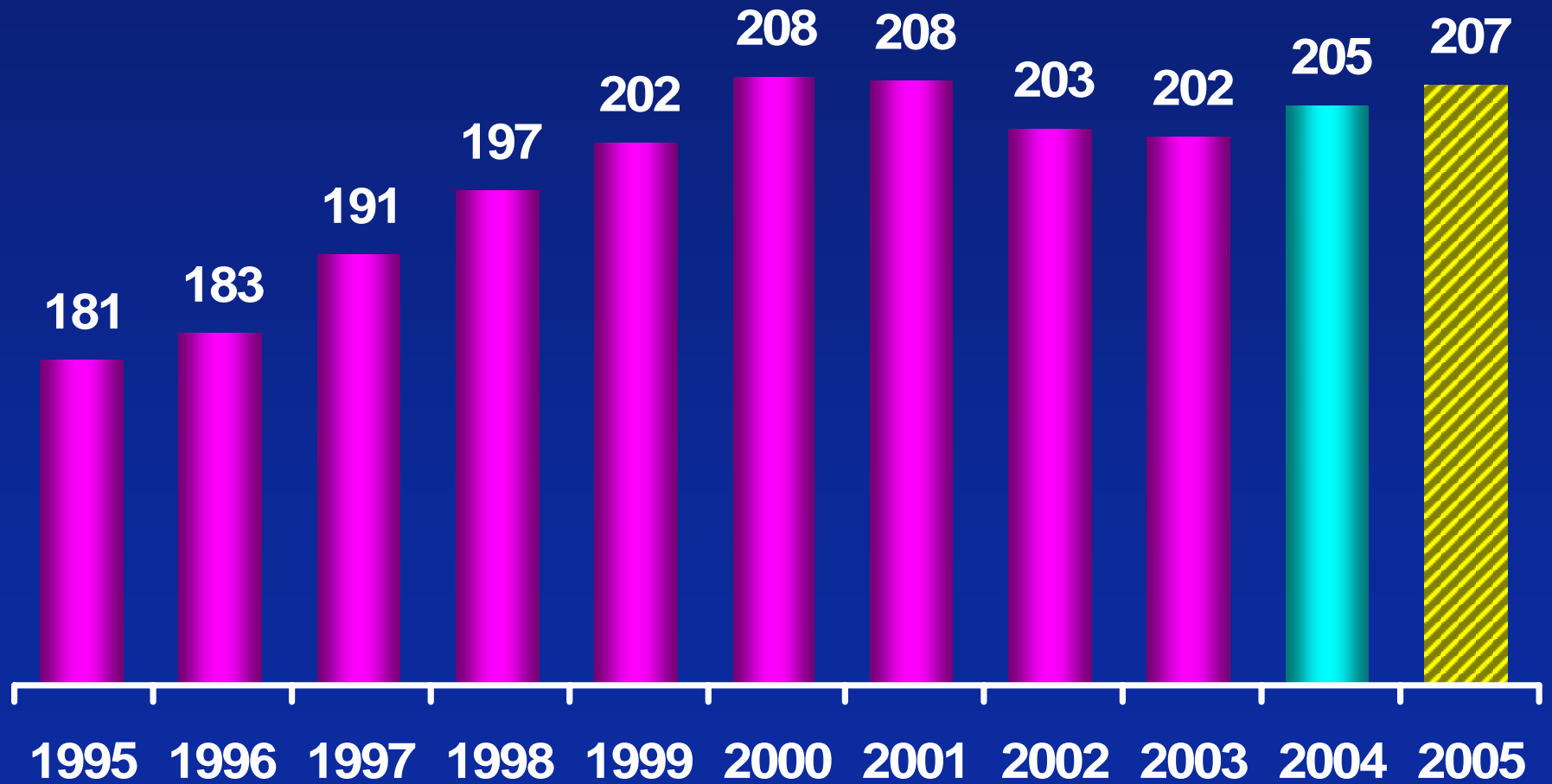
	<u>2004 Est.</u>	<u>2005</u>	<u>% Chg</u>
Revenue	\$68.5B	\$68.3B	-0.3%
Expense	<u>\$65.9B</u>	<u>\$68.5B</u>	3.9%
Net Income (Loss)	\$ 2.6B	(\$ 0.2B)	



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INTEGRATED FINANCIAL PLAN FY 2005

Volume



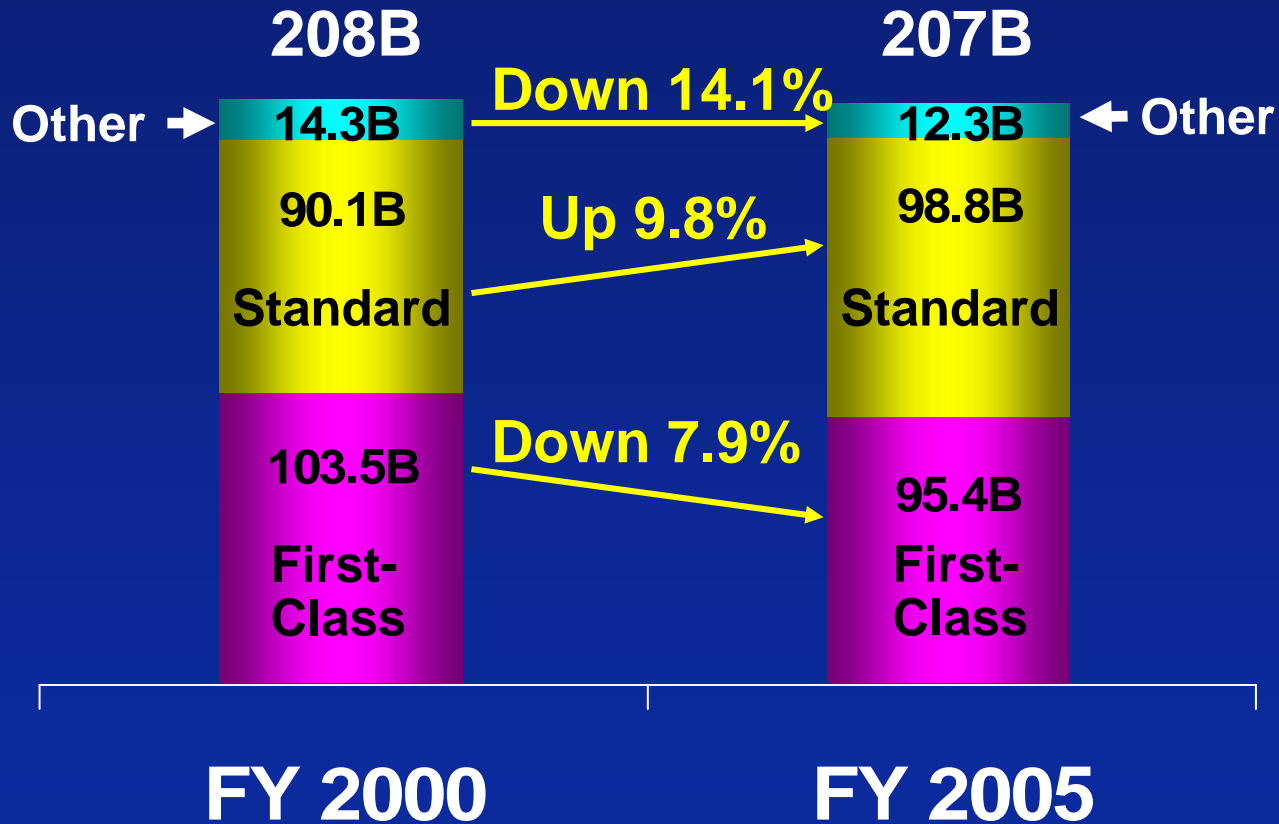
(Volume in Billions)

Est. **Forecast**



INTEGRATED FINANCIAL PLAN FY 2005

Volume Change

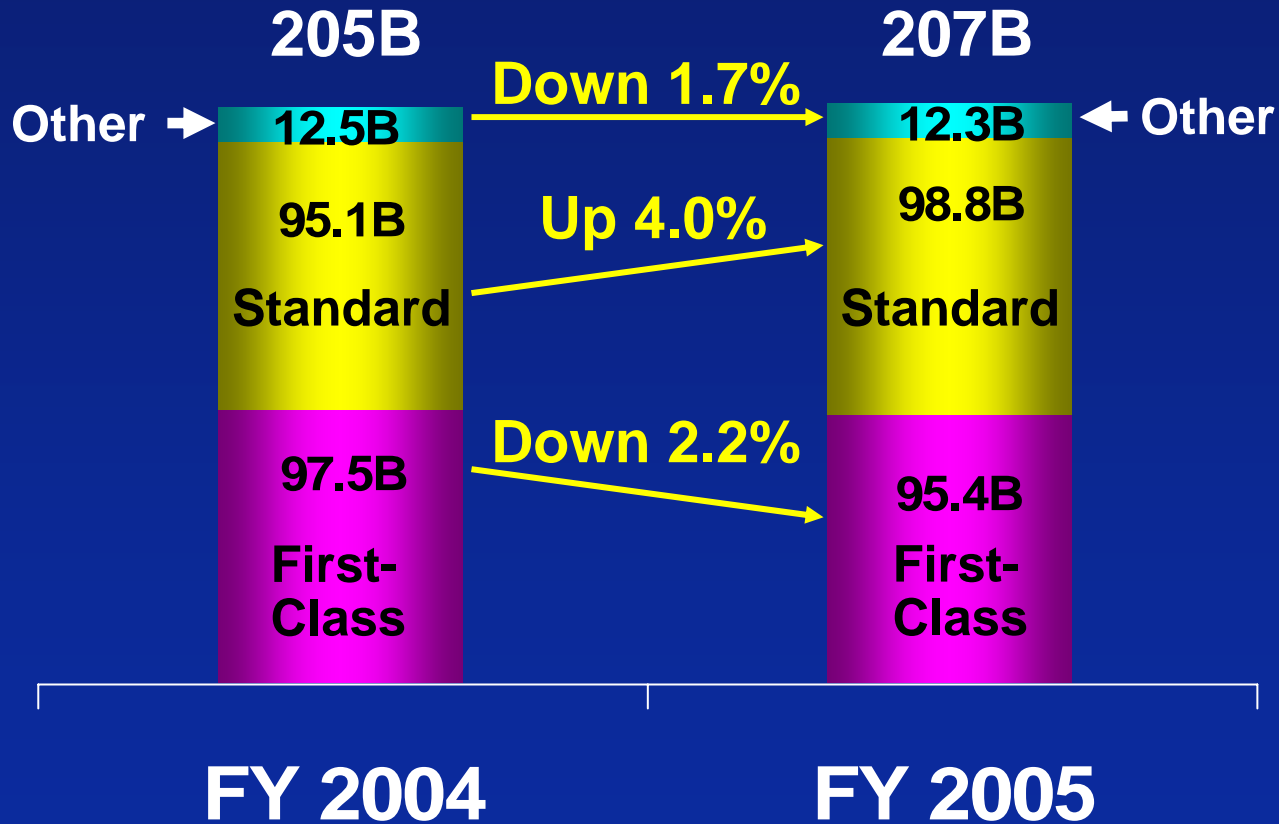


Similar volume, \$4.9B less revenue (at constant rates)



INTEGRATED FINANCIAL PLAN FY 2005

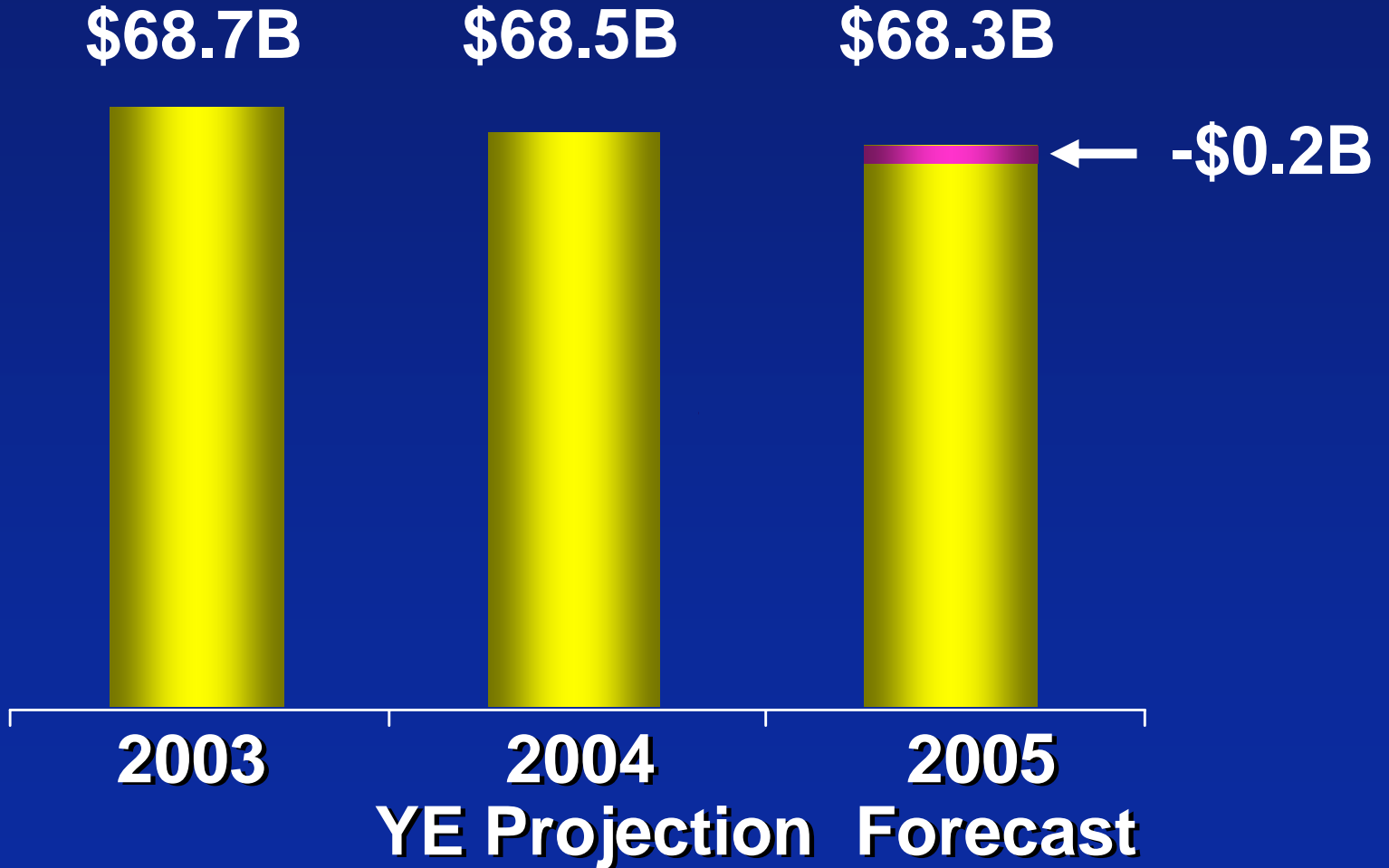
Volume Change





INTEGRATED FINANCIAL PLAN FY 2005

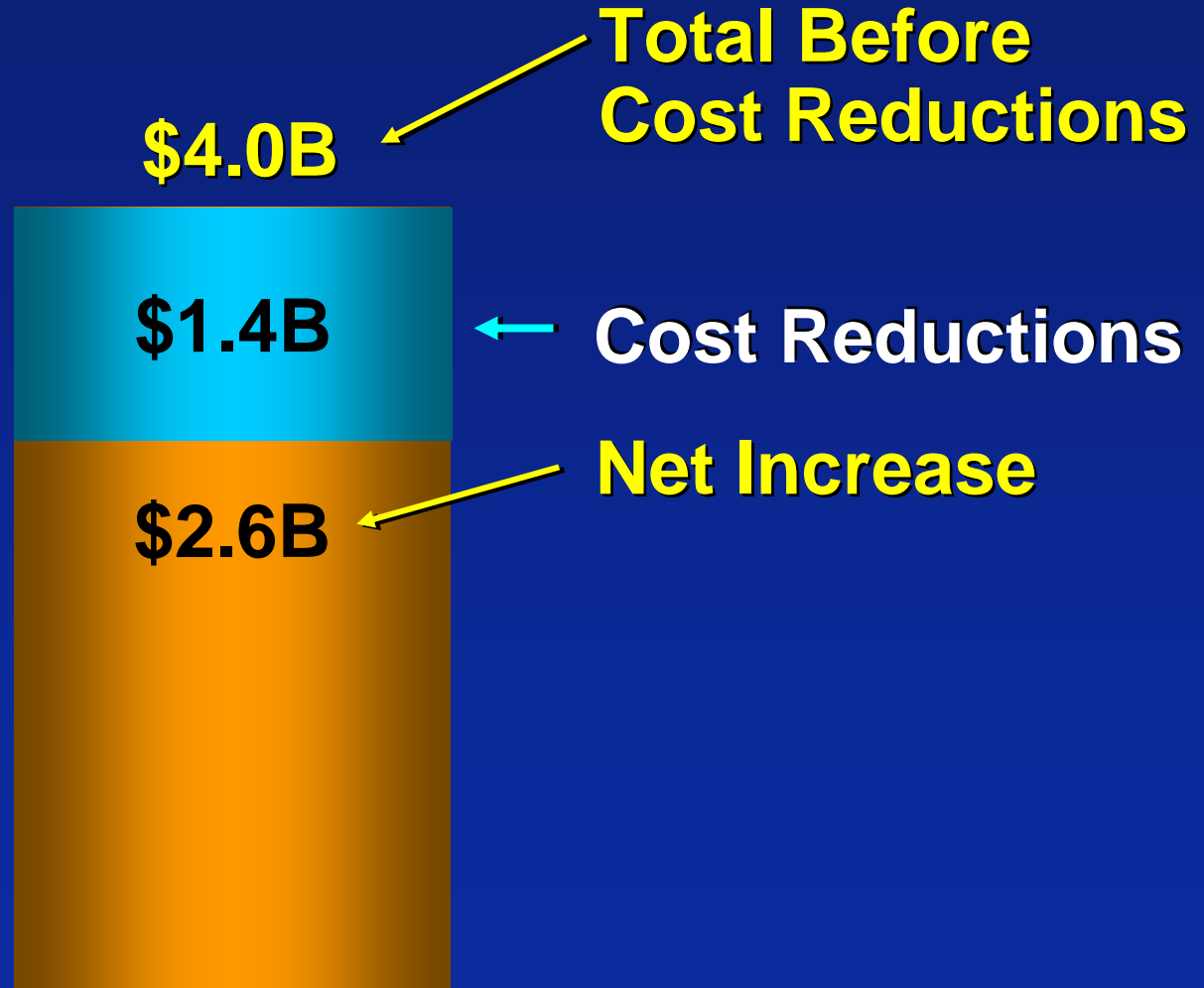
FY 2005 Revenue Forecast





INTEGRATED FINANCIAL PLAN FY 2005

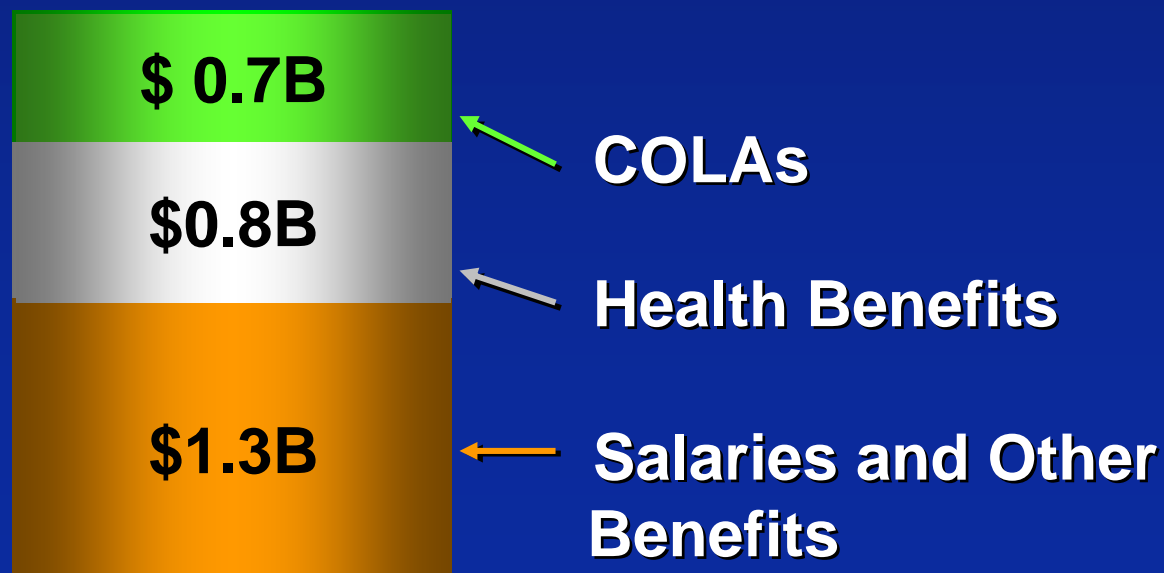
Expense Growth – FY 2005





INTEGRATED FINANCIAL PLAN FY 2005

Expense Growth – FY 2005





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INTEGRATED FINANCIAL PLAN FY 2005

COLA – Annualized Dollar Impact

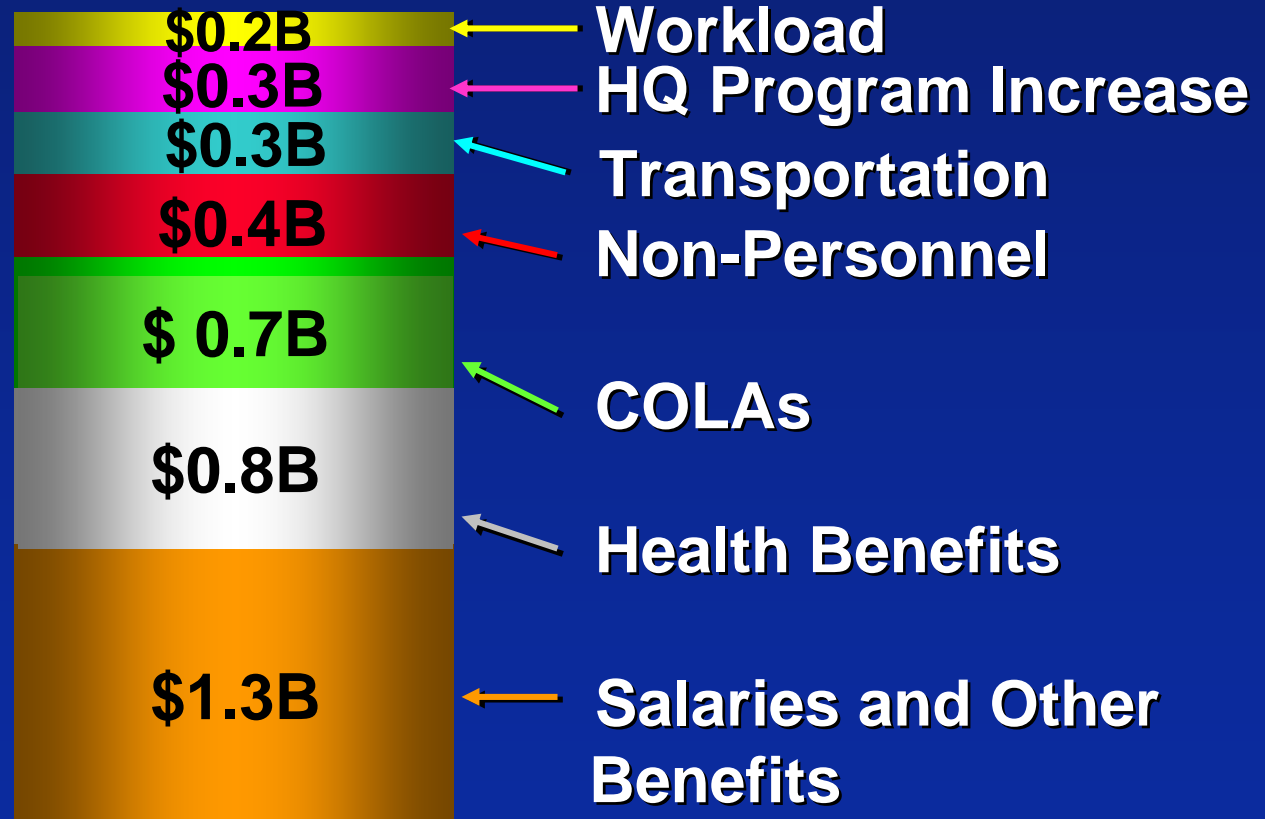


(\$ Millions)



INTEGRATED FINANCIAL PLAN FY 2005

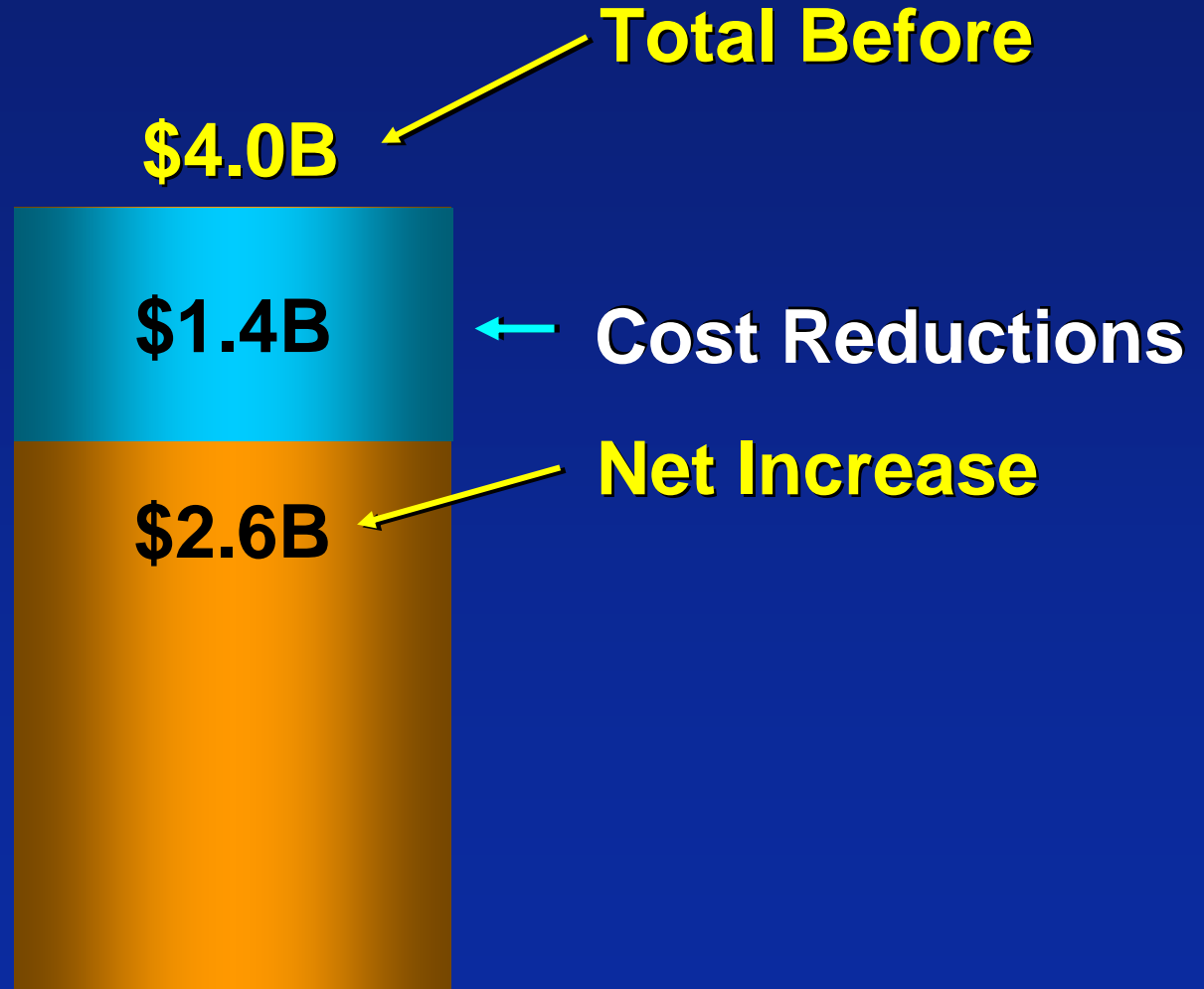
Expense Growth – FY 2005





INTEGRATED FINANCIAL PLAN FY 2005

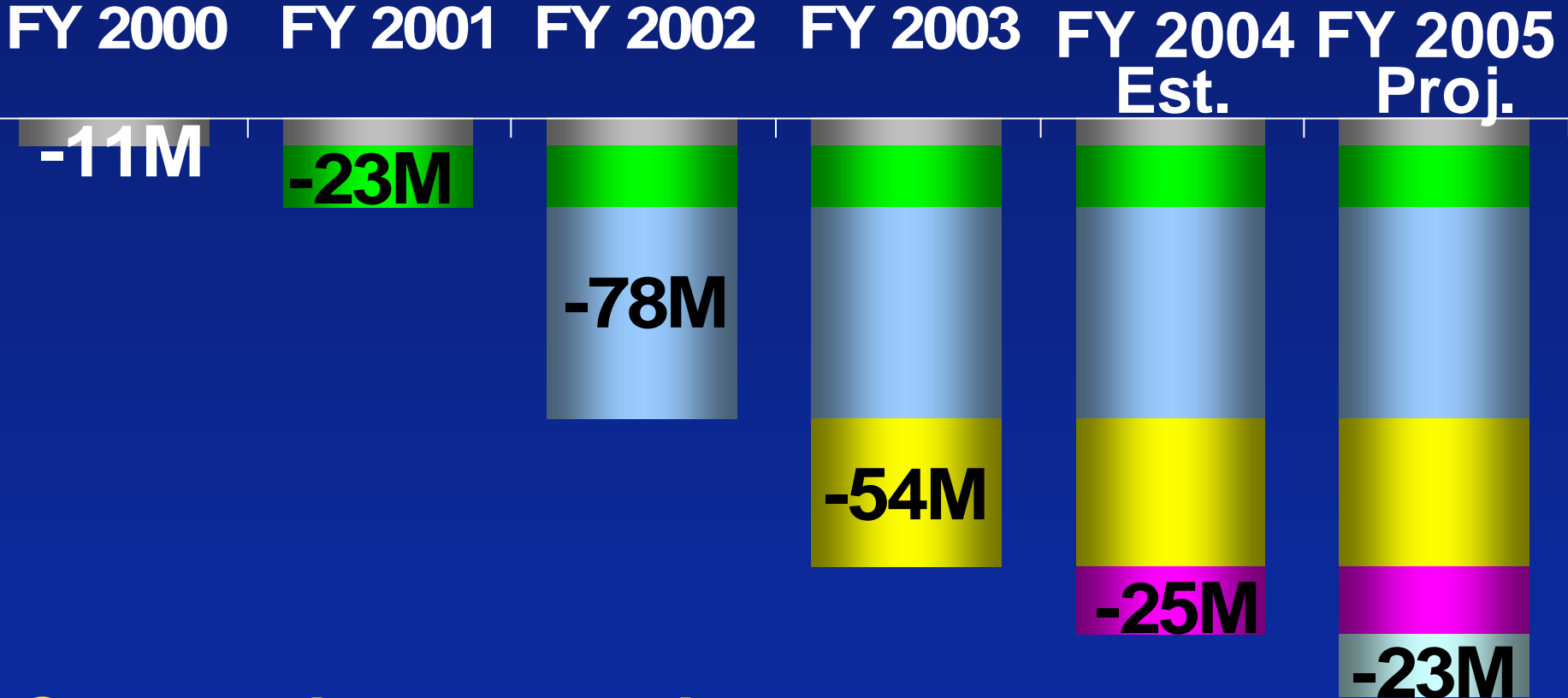
Expense Growth – FY 2005





INTEGRATED FINANCIAL PLAN FY 2005

Cumulative Workhour Reductions

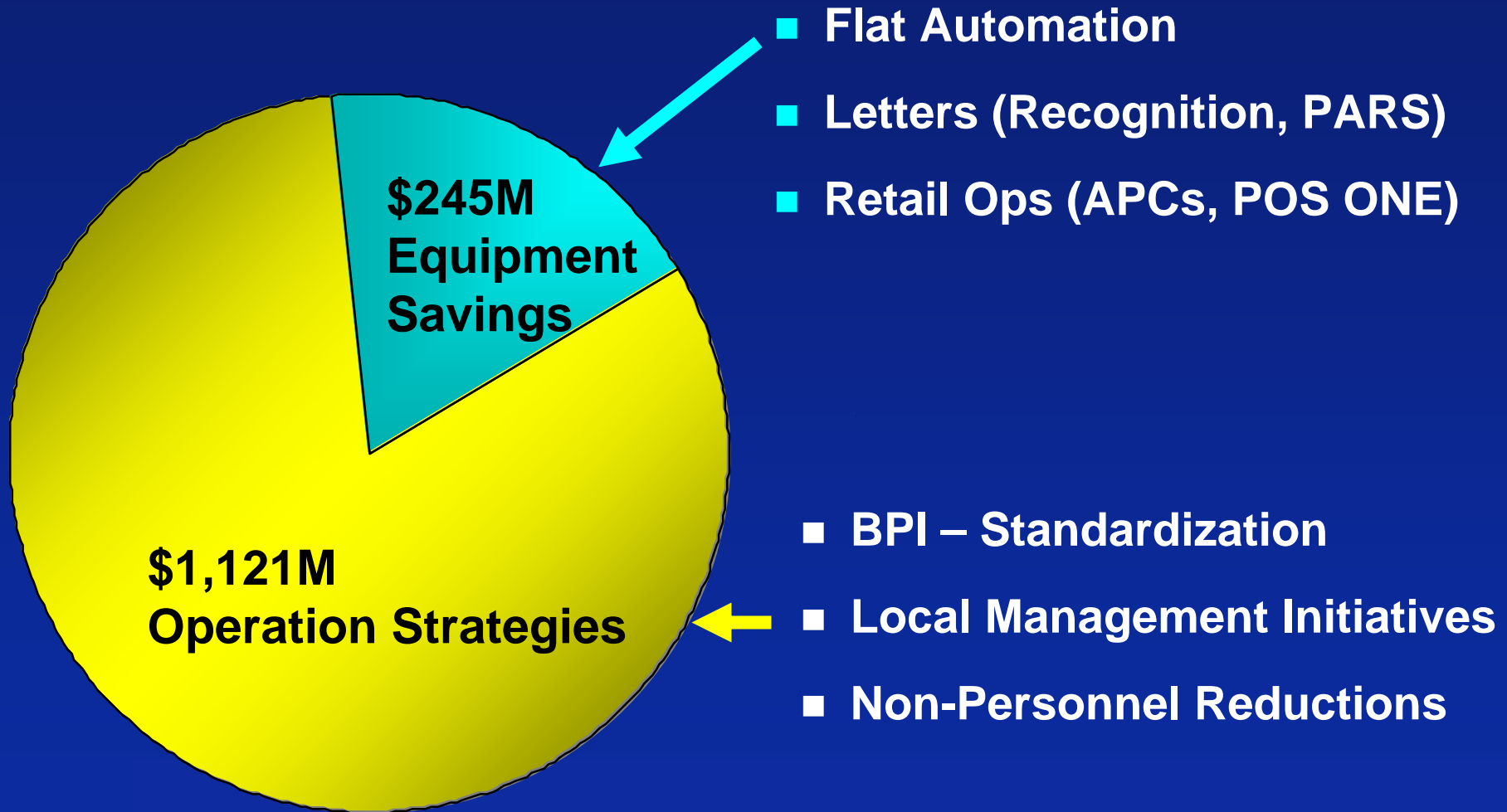


**Cumulative Reduction
728M Workhours**



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Cost Reductions



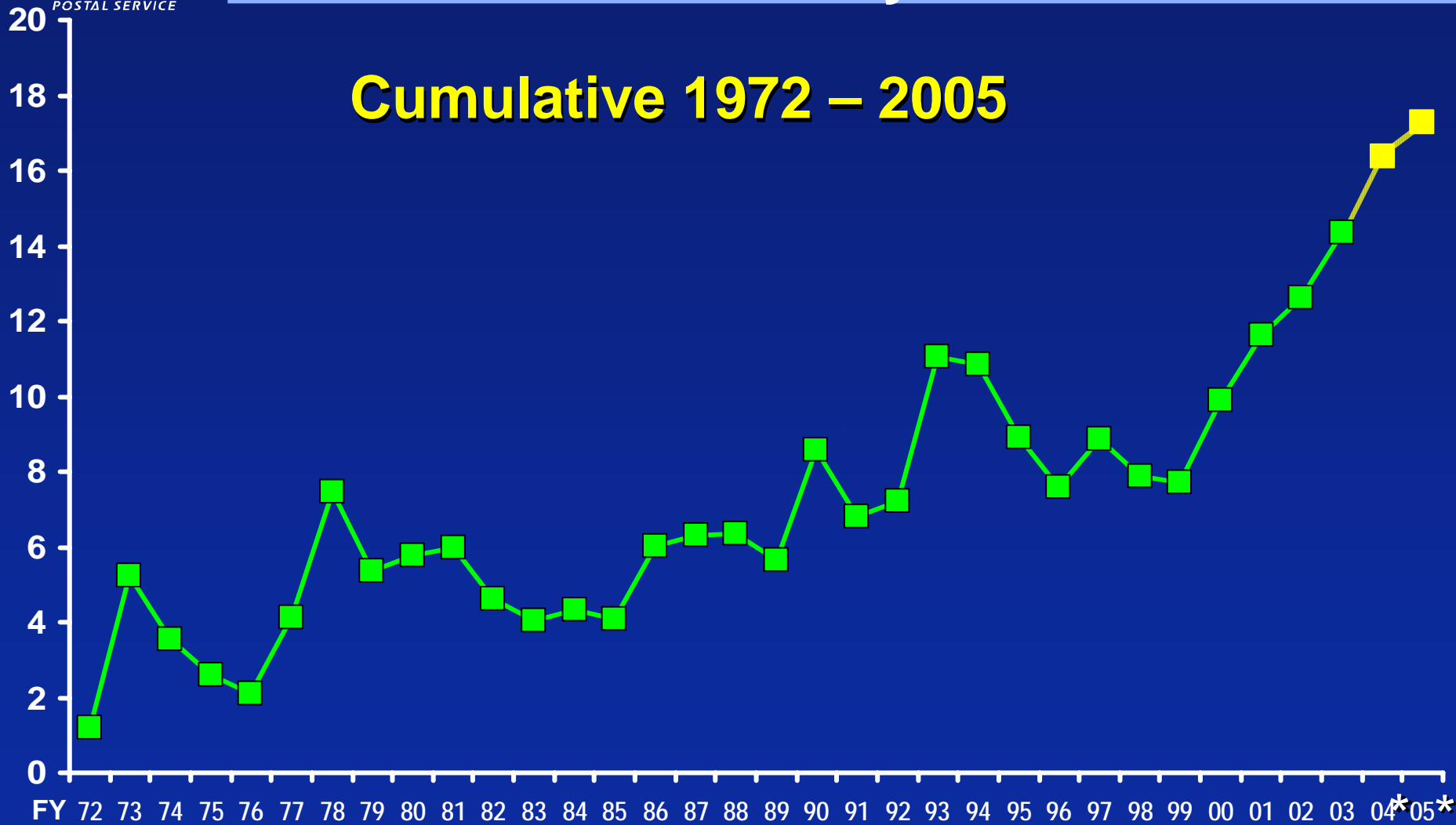


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Total Factor Productivity

Cumulative 1972 – 2005



Percent Growth

*Projection



INTEGRATED FINANCIAL PLAN FY 2005

Operating Plan Summary

Volume	↑	0.7%
Deliveries	↑	1.6M
Work Hours	↓	23M
TFP (Estimate)	↑	0.9%
Net Loss		-\$0.2B



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INTEGRATED FINANCIAL PLAN FY 2005

Recommendation:

Approve FY 2005 Operating Plan



FISCAL YEAR 2005 CAPITAL PLAN



INTEGRATED FINANCIAL PLAN FY 2005

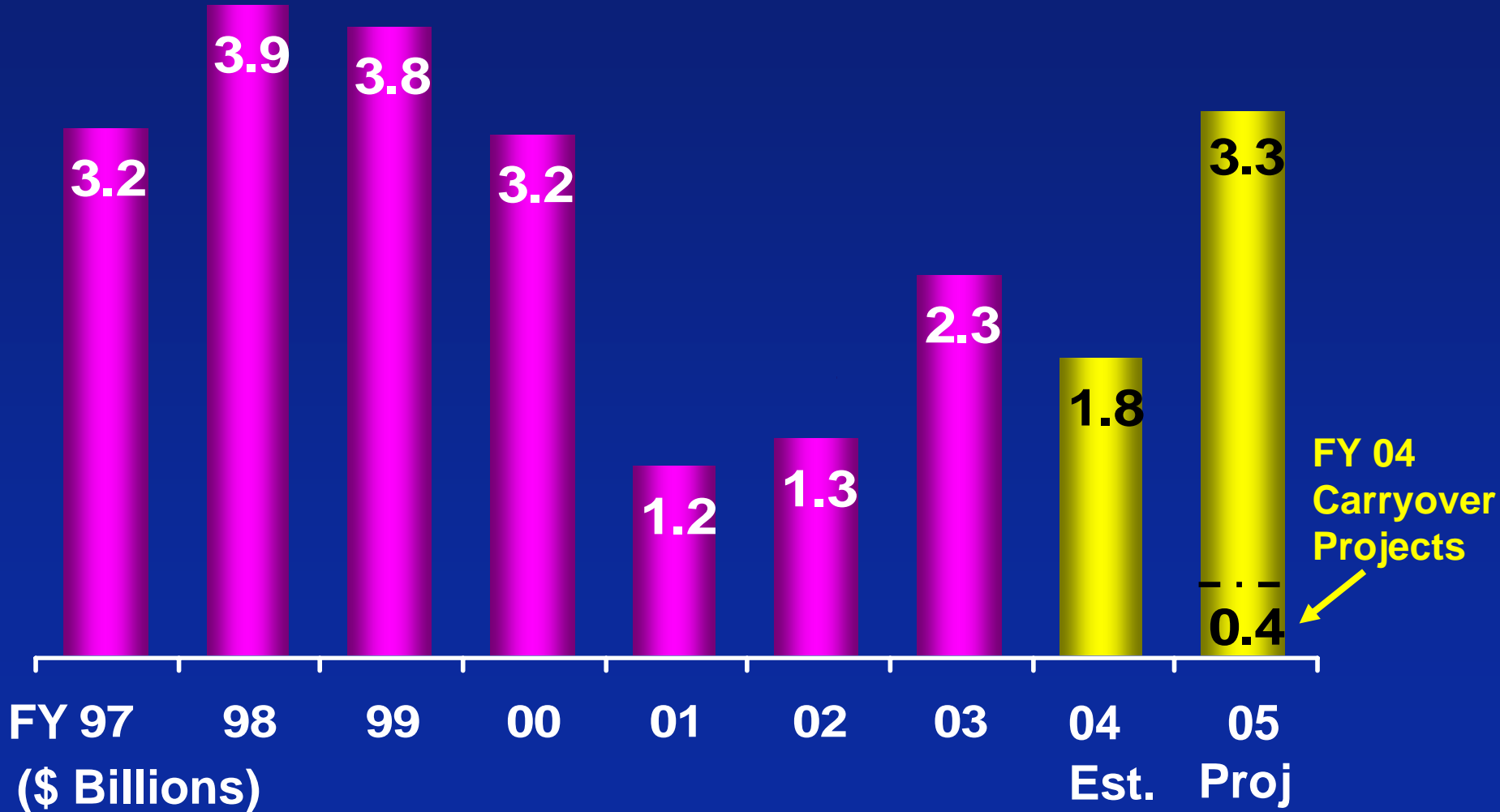
Capital Investment Plan Summary

- **Protects ROI Projects**
 - **Allows Crucial Customer Service Facility Replacements and Repairs**
 - **Promotes Safe Working Environment for Employees**
 - **Includes Improved Management Information Systems**
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INTEGRATED FINANCIAL PLAN FY 2005

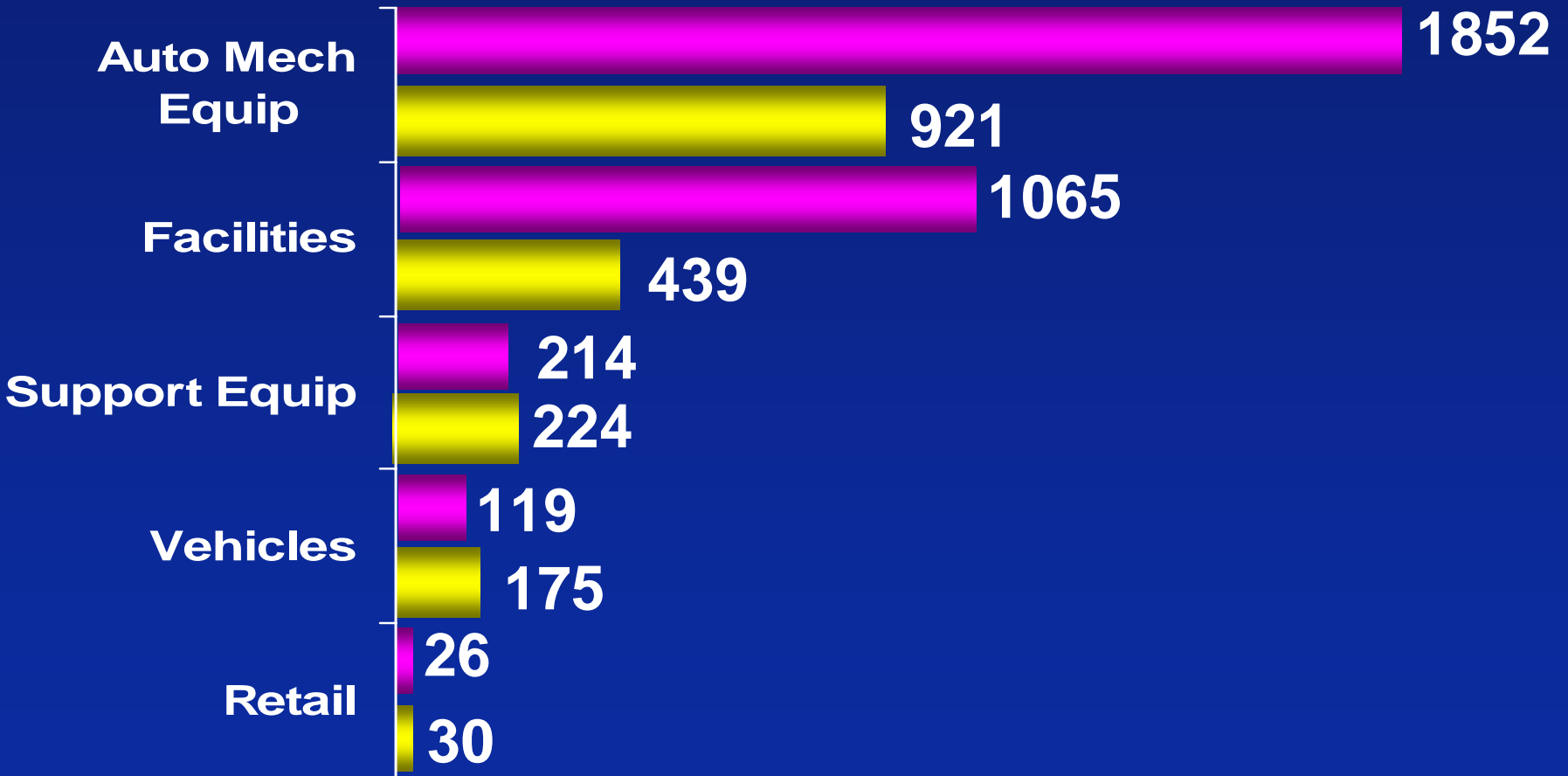
Capital Commitments





INTEGRATED FINANCIAL PLAN FY 2005

Capital Commitments



(\$ Millions)





■ FY 2004 Est

■ FY 2005 Plan



INTEGRATED FINANCIAL PLAN FY 2005

FY 2005 – Financing Plan

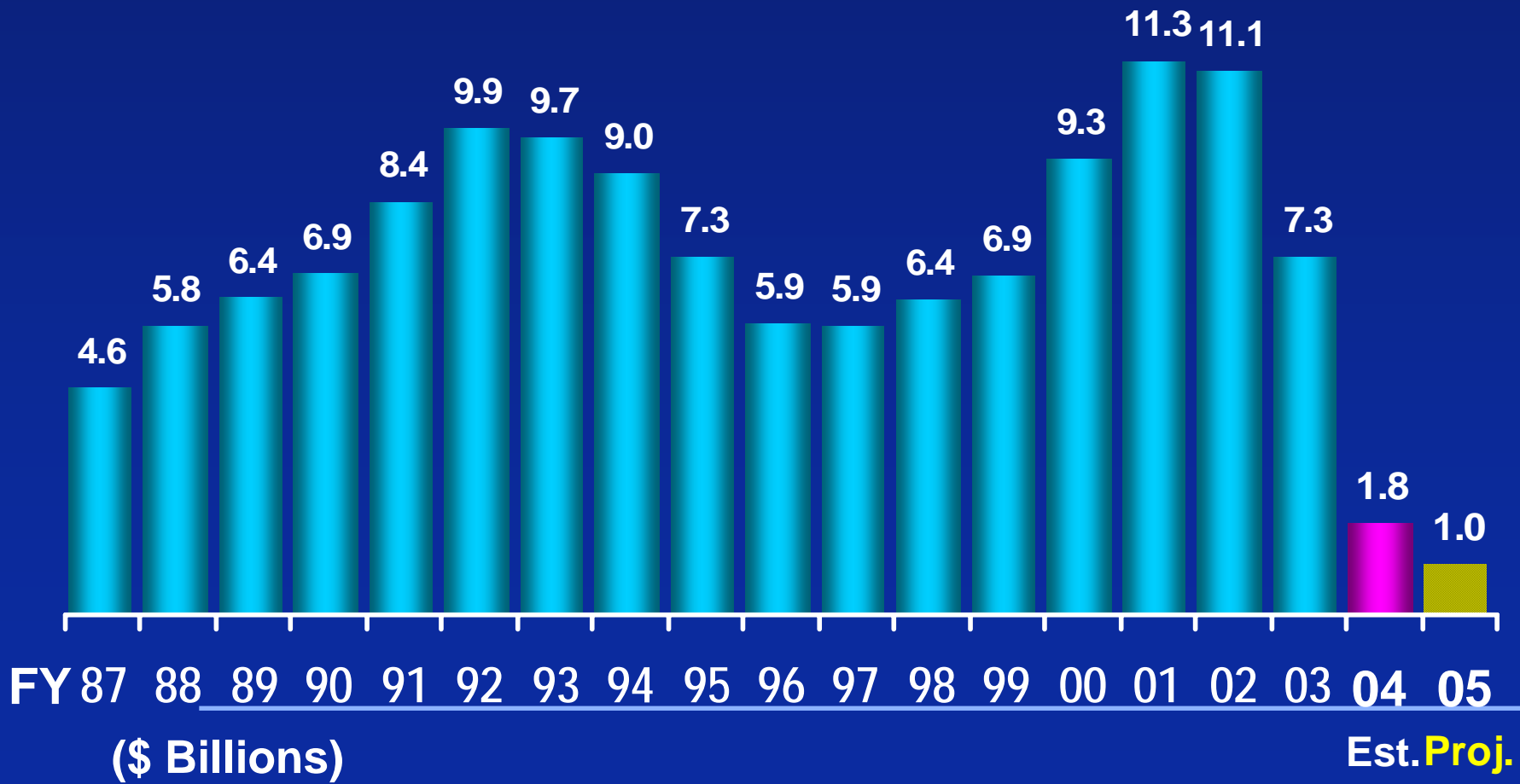
	<u>2004 Est.</u>	<u>2005 Plan</u>
Net Income	2.6	-0.2
 + Cash Flow from Ops	5.7	2.8
 - <u>Capital Cash Outlays</u>	<u>1.5</u>	<u>2.0</u>
Net Cash Flow	4.2	0.8
 + Cash Decrease	<u>1.3</u>	<u>0.0</u>
 = Debt Repayment	5.5	0.8
Debt Outstanding (9/30)	1.8	1.0

(\$ Billions)



INTEGRATED FINANCIAL PLAN FY 2005

Year-end Debt Outstanding





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Recommendation:

Approve Capital Investment Plan



FISCAL YEAR 2006 APPROPRIATION REQUEST BRIEFING



FY 2006 APPROPRIATION REQUEST

Preliminary

Free Mail for the Blind and Overseas Voting	\$108.5
Revenue Forgone Reform Act of 1993	
Annual Installment for 2005	29.0
Annual Installment for 2006	29.0
Public Service Cost	<u>0.0</u>
Subtotal	\$166.5
Emergency Preparedness Plan	
2005 - 2006	<u>779.0</u>
Total	\$945.5

(\$ Millions)



FY 2006 APPROPRIATION REQUEST

Request Approval

Recommendation:

**Approve Preliminary Appropriation
Request for FY 2006**



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INTEGRATED FINANCIAL PLAN FISCAL YEAR 2005

**September 14, 2004
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