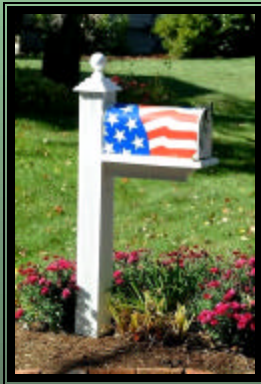


**UNITED STATES  
POSTAL SERVICE**

# FINANCIAL & OPERATING STATEMENTS



**Accounting Period 13, PFY 2003  
August 9 – September 5, 2003**

**Prepared by:  
Financial Reporting and Analysis**

**Highlights**  
**Accounting Period 13, FY 2003**  
(Millions)

Accounting Period 13					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY
\$ 4,963.8	\$ 5,155.2	[\$ -191.4]	[ -3.7]	\$ 5,193.8	-4.4
<u>4,988.8</u>	<u>5,415.9</u>	<u>-427.1</u>	<u>-7.9</u>	<u>5,265.9</u>	<u>-5.3</u>
\$ (-25.0)	\$ (-260.7)	\$ 235.7	-	\$ (-72.1)	-
\$ 281.8	\$ 801.6	\$ -519.8	-64.8	\$ 274.5	2.7
107.6	109.9	-2.2	-2.0	110.7	-2.7

Year-to-Date (September 7, 2002 - September 5, 2003)					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY
\$ 68,542.6	\$ 70,169.1	[\$-1,626.5]	[ -2.3]	\$ 66,057.9	3.8
<u>64,143.4</u>	<u>69,438.0</u>	<u>-5,294.6</u>	<u>-7.6</u>	<u>66,996.6</u>	<u>-4.3</u>
\$ 4,399.2	\$ 731.1	\$ 3,668.1	-	\$ (-938.7)	-
\$ 1,825.3	\$ 2,525.1	\$ -699.8	-27.7	\$ 1,317.0	38.6
1,473.2	1,485.6	-12.4	-0.8	1,527.3	-3.5

[ ] = Unfavorable variance to budget

Note: Totals may not sum due to rounding.

Note: Mail Volume numbers are preliminary numbers and are subject to change. (See additional note on page 3.)

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

\*\* Includes impact of revised Civil Service Retirement System (CSRS) funding requirements as a result of Public Law (PL) 108-18. Refer to notes on page 2 for an explanation of this impact.

Number Of:	Current Period	Last Period	SPLY *
<b>Postal Owned Vehicles In Use</b>			
Administrative	5,570	5,594	5,444
Operations	203,509	202,051	201,812
<b>Total Deliveries (000) ***</b>	<b>141,273</b>	<b>141,049</b>	<b>139,452</b>
<b>City Delivery Routes</b>	<b>164,652</b>	<b>164,882</b>	<b>165,816</b>
<b>Rural Routes</b>	<b>69,665</b>	<b>69,644</b>	<b>69,369</b>
<b>Career Employees (Excludes Inspector General)</b>	<b>730,086</b>	<b>732,022</b>	<b>752,227</b>
<b>Casual Employees</b>	<b>17,974</b>	<b>19,010</b>	<b>19,065</b>
<b>Transitional Employees</b>	<b>10,813</b>	<b>11,045</b>	<b>12,847</b>

\*\*\* Beginning in Accounting Period (AP 3), Fiscal Year (FY 2003), this line has been modified to include all deliveries: city, rural post office box and contracted highway deliveries.

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

**STATEMENT OF INCOME AND EXPENSE**  
Accounting Period 13, FY 2003  
(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 4,958.8	\$ 5,152.9	[\$ -194.1]	[ -3.8]	\$ 5,187.6	-4.4	<b>Operating Revenue</b>	\$ 68,483.9	\$ 70,135.6	[\$ -1,651.7]	[ -2.4]	\$ 66,014.2	3.7
4,959.5	5,264.7	-305.2	-5.8	5,129.5	-3.3	<b>Operating Expense 1)</b>	63,335.1	67,437.1	-4,102.0	-6.1	65,046.1	-2.6
\$ (-0.7)	\$ (-111.8)	\$ 111.1	-	\$ 58.1	-	<b>Income (Loss) From Operations</b>	\$ 5,148.8	\$ 2,698.5	\$ 2,450.3	-	\$ 968.1	-
5.0	2.3	2.7	116.0	6.2	-19.4	<b>Investment Income</b>	58.7	33.5	25.2	75.4	43.8	34.1
-6.2	-27.4	21.2	77.4	-30.1	-79.4	<b>Interest Expense</b>	-355.6	-391.1	35.5	9.1	-356.0	-0.1
-23.1	-123.8	100.7	81.3	-106.3	-78.3	<b>Interest on Deferred Retirement Costs 2)</b>	-92.4	-1,609.8	1,517.4	94.3	-1,594.6	-94.2
0.0	0.0	0.0	-	0.0	-	<b>Debt Repurchase Expense 3)</b>	-360.3	0.0	[-360.3]	-	0.0	-
\$ (-25.0)	\$ (-260.7)	\$ 235.7	-	\$ (-72.1)	-	<b>Net Income/(Loss)</b>	\$ 4,399.2	\$ 731.1	\$ 3,668.1	-	\$ (-938.7)	-

[ ]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

As a result of the recently enacted legislation, Postal Civil Service Retirement System Funding Reform Act of 2003, PL 108-18, funding by the Postal Service to the Civil Service Retirement System (CSRS) changed effective at the beginning of the second pay period of Accounting Period (AP) 9. The analysis supporting this law, developed by the Office of Personnel Management (OPM), showed that the net accumulated value of Postal Service payments already made to the fund was approaching the value of the future CSRS benefits applicable to its participants. The deferred retirement costs for CSRS to OPM were decreased to an estimated value at the end of FY 2003 of \$5.8 billion and the first payment on this is due on September 30, 2004. Additionally, the law increased the percentage of employer contributions from 7% to 17.4%. The following footnotes show how these changes are reflected above and on other pages.

**Notes:**

- Operating expenses in the current period reflect a \$91.6 million net reduction in expenses related to the adoption of PL 108-18. The reduction in expenses consists of two components: (a) a decrease of \$175.4 million reflecting the reduced deferred retirement costs and (b) an increase in the cost of the employer contributions to the CSRS for active employees of \$83.8 million for one accounting period. Year-to-date expenses have been adjusted by \$1,918.9 million to reflect the cumulative impact of PL 108-18.
- The interest accrued as a result of PL 108-18 entitled as deferred retirement costs was reduced to \$23.1 million. The current period and year-to-date reflects this change. The current period impact is a reduction of \$100.7 million, while the year-to-date reduction totals \$1,517.4 million.

Current period net income on this page and on pages 1 and 4 reflect the above impacts, a total positive impact of \$192.3 million. The year-to-date net income on this page and on pages 1 and 4 reflect a total year-to-date positive impact of \$3,436.3 million.

Total expenses on this page and on pages 1, 7, and 8 also reflect the above impacts. Specific expense lines, personnel compensation, total compensation, interest on deferred retirement costs and CSRS annuitant COLA, operating expenses, on pages 4, 7 and 8 also reflect the above impact.

- This represents the premium paid for the repurchase of \$6.0 billion of long-term debt payable to the Federal Financing Bank (FFB). Funds for the repurchase were provided through short-term debt obtained from the FFB. As a result, interest expense will be reduced and it is expected that the premium will be recovered in approximately 15 months.

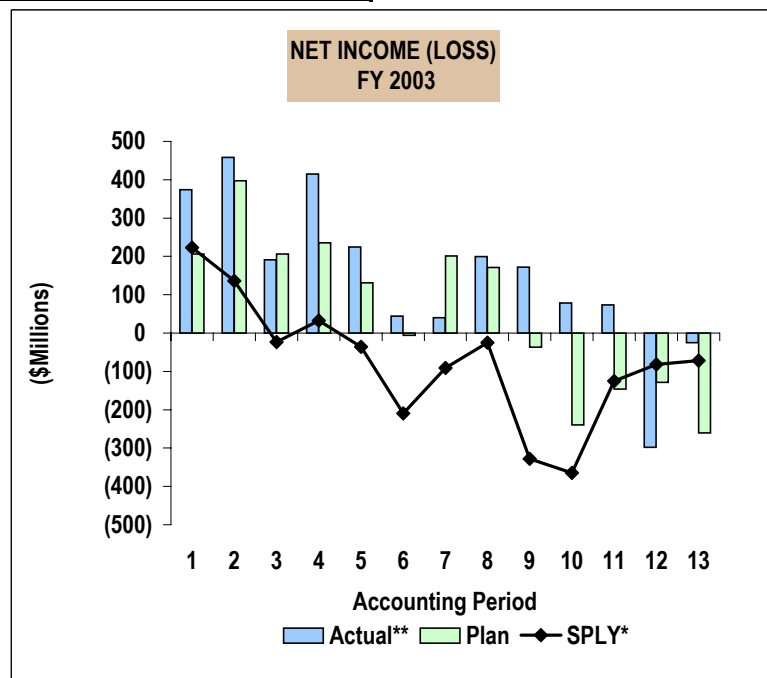
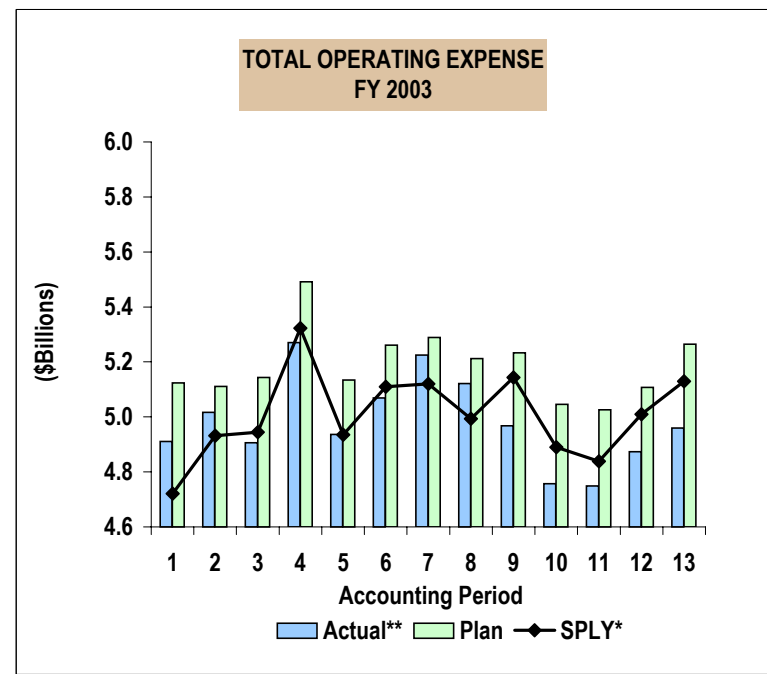
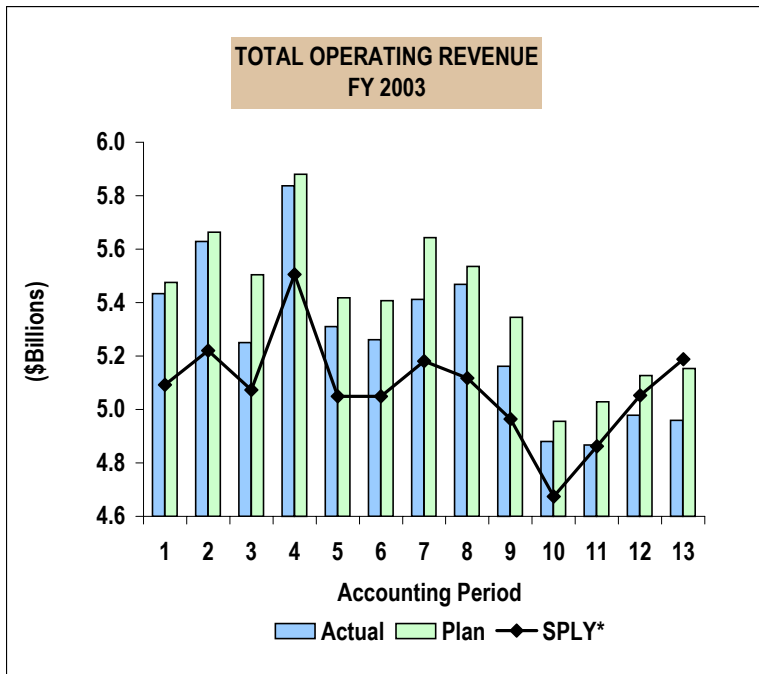
See accompanying Analysis to the Financial and Operating Statements beginning on page 16. This includes an analysis of performance excluding CSRS impacts.

MAIL VOLUME - MAIL REVENUE (Data in Thousands)						
CATEGORY	QUARTER IV			QUARTER IV YEAR-TO-DATE		
	FY 2003	FY 2002	% SPLY	FY 2003	FY 2002	% SPLY
<b>FIRST-CLASS</b>						
VOLUME	28,765,269	29,712,143	- 3.2	99,072,875	101,754,725	- 2.6
REVENUE	\$ 10,749,129	\$ 10,863,900	- 1.1	\$ 37,095,929	\$ 36,136,923	2.7
REV/PC.	0.3737	0.3656	2.2	0.3744	0.3551	5.4
<b>PRIORITY-MAIL</b>						
VOLUME	238,554	265,911	- 10.3	865,095	996,302	- 13.2
REVENUE	\$ 1,225,616	\$ 1,296,483	- 5.5	\$ 4,527,277	\$ 4,692,860	- 3.5
REV/PC.	5.1377	4.8756	5.4	5.2333	4.7103	11.1
<b>EXPRESS MAIL</b>						
VOLUME	16,667	17,904	- 6.9	55,913	61,561	- 9.2
REVENUE	\$ 261,401	\$ 273,537	- 4.4	\$ 887,831	\$ 911,082	- 2.6
REV/PC.	15.6837	15.2780	2.7	15.8788	14.7997	7.3
<b>PERIODICALS</b>						
VOLUME	2,729,123	2,829,722	- 3.6	9,321,886	9,667,455	- 3.6
REVENUE	\$ 647,931	\$ 644,878	0.5	\$ 2,241,909	\$ 2,159,205	3.8
REV/PC.	0.2374	0.2279	4.2	0.2405	0.2233	7.7
<b>STANDARD MAIL</b>						
VOLUME	25,640,752	25,662,203	- 0.1	89,491,377	86,825,061	3.1
REVENUE	\$ 4,869,015	\$ 4,742,724	2.7	\$ 17,049,227	\$ 15,721,032	8.4
REV/PC.	0.1899	0.1848	2.7	0.1905	0.1811	5.2
<b>PACKAGE SERVICES</b>						
VOLUME	335,430	327,642	2.4	1,124,485	1,062,966	5.8
REVENUE	\$ 605,839	\$ 600,388	0.9	\$ 2,223,009	\$ 2,059,955	7.9
REV/PC.	1.8062	1.8325	- 1.4	1.9769	1.9379	2.0
<b>INTERNATIONAL</b>						
VOLUME	262,655	240,334	9.3	930,175	906,685	2.6
REVENUE	\$ 461,798	\$ 427,929	7.9	\$ 1,616,224	\$ 1,579,731	2.3
REV/PC.	1.7582	1.7806	- 1.3	1.7375	1.7423	- 0.3
<b>ALL OTHER</b>						
VOLUME	135,010	136,513	- 1.1	468,228	488,897	- 4.2
REVENUE	\$ 197	\$ 342	- 42.2	\$ 1,238	\$ 1,357	- 8.8
<b>ALL MAIL</b>						
VOLUME	58,123,460	59,192,371	- 1.8	201,330,033	201,763,651	- 0.2
REVENUE	\$ 18,820,926	\$ 18,850,180	- 0.2	\$ 65,642,643	\$ 63,262,146	3.8
REV/PC.	0.3238	0.3185	1.7	0.3260	0.3135	4.0

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. The sum of accounting periods and quarters may not total to year end calculations.

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



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

\*\*Includes impact of revised CSRS funding requirements as a result of PL 108-18. Refer to notes on page 2 for an explanation of this impact.

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

**REVENUE BY SOURCE**  
**Accounting Period 13, FY 2003**  
**(\$ Millions)**

Current Period				Year-to-Date		
Actual	SPLY*	% SPLY		Actual	SPLY*	% SPLY
			<b>Operating Revenue:</b>			
\$ 1,784.3	\$ 1,844.2	- 3.2	Metered Postage	\$ 25,410.4	\$ 24,789.9	2.5
825.6	886.2	- 6.8	Stamps and Stamped Paper	11,666.7	11,545.4	1.1
1,283.6	1,279.0	0.4	Permit Imprint	16,086.2	14,824.4	8.5
168.7	173.5	- 2.8	Periodicals & Standard	2,221.4	2,139.5	3.8
52.4	58.9	- 11.0	Official Mail	900.3	875.6	2.8
673.4	671.1	0.3	Presort First-Class & Package Svc./Permit Imprint	9,351.1	9,161.9	2.1
53.1	74.3	- 28.5	Box Rents	783.6	757.8	3.4
13.5	56.6	- 76.5	Money Order Fees	188.6	243.5	- 22.1
<u>101.9</u>	<u>140.0</u>	- 27.2	Other	<u>1,843.9</u>	<u>1,627.5</u>	13.3
<b>\$ 4,956.6</b>	<b>\$ 5,183.8</b>	<b>- 4.4</b>	<b>Subtotal</b>	<b>\$ 68,452.2</b>	<b>\$ 65,965.5</b>	<b>3.8</b>
			<b>Government Appropriation:</b>			
<u>2.2</u>	<u>3.8</u>	- 42.6	Revenue Forgone	<u>31.7</u>	<u>48.7</u>	- 34.9
<b>\$ 4,958.8</b>	<b>\$ 5,187.6</b>	<b>- 4.4</b>	<b>Total Operating Revenue</b>	<b>\$ 68,483.9</b>	<b>\$ 66,014.2</b>	<b>3.7</b>
<u>5.0</u>	<u>6.2</u>	- 19.4	Investment Income	<u>58.7</u>	<u>43.8</u>	34.1
<b>\$ 4,963.8</b>	<b>\$ 5,193.8</b>	<b>- 4.4</b>	<b>Total Revenue</b>	<b>\$ 68,542.6</b>	<b>\$ 66,058.0</b>	<b>3.8</b>

Note: Totals may not sum due to rounding.

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

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

**REVENUE BY CATEGORY**  
**Accounting Period 13, FY 2003**  
**(\$ Millions)**

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			<b>Commercial Revenue</b>			
\$ 2,142.5	\$ 2,183.1	[ - 1.9]	Permit Revenue	\$ 28,251.9	\$ 28,968.7	[ - 2.5]
1,548.2	1,735.2	[ - 10.8]	Other Commercial Accounts Revenue	22,409.1	23,783.1	[ - 5.8]
<b>\$ 3,690.7</b>	<b>\$ 3,918.3</b>	<b>[ - 5.8]</b>	<b>Total Commercial Revenue</b>	<b>\$ 50,661.0</b>	<b>\$ 52,751.8</b>	<b>[ - 3.9]</b>
			<b>Retail Revenue</b>			
1,020.8	994.8	2.6	Retail Postage Revenue	14,298.8	13,929.4	2.7
73.6	86.3	[ - 14.7]	Retail Services Revenue	1,078.1	1,052.4	2.4
11.5	7.9	46.1	Retail Products Revenue	157.3	113.1	39.0
111.1	128.7	[ - 13.7]	Other Retail Channels Revenue	1,800.2	1,833.7	[ - 1.8]
<b>\$ 1,217.0</b>	<b>\$ 1,217.7</b>	<b>[ - 0.1]</b>	<b>Total Retail Revenue</b>	<b>\$ 17,334.4</b>	<b>\$ 16,928.6</b>	<b>2.4</b>
<b>\$ 4,907.7</b>	<b>\$ 5,136.0</b>	<b>[ - 4.4]</b>	<b>Total Commercial &amp; Retail Revenue</b>	<b>\$ 67,995.4</b>	<b>\$ 69,680.4</b>	<b>[ - 2.4]</b>
48.9	14.4	NM	Other Income	456.8	423.2	7.9
2.2	2.5	[ - 12.6]	Revenue Forgone	31.7	32.0	[ - 1.0]
<b>\$ 4,958.8</b>	<b>\$ 5,152.9</b>	<b>[ - 3.8]</b>	<b>Total Operating Revenue</b>	<b>\$ 68,483.9</b>	<b>\$ 70,135.6</b>	<b>[ - 2.4]</b>
5.0	2.3	116.0	Investment Income	58.7	33.5	75.4
<b>\$ 4,963.8</b>	<b>\$ 5,155.2</b>	<b>[ - 3.7]</b>	<b>Total Revenue</b>	<b>\$ 68,542.6</b>	<b>\$ 70,169.1</b>	<b>[ - 2.3]</b>

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

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

**EXPENSE ANALYSIS**  
Accounting Period 13, FY 2003  
(\$ Millions)

Current Period						Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 3,760.5	\$ 4,032.2	\$- 271.7	- 6.7	\$ 3,838.9	- 2.0	\$ 49,962.3	\$ 52,714.0	\$- 2,751.7	- 5.2	\$ 51,312.1	- 2.6
						Non-Personnel Expense:					
364.4	394.6	- 30.2	- 7.7	352.5	3.4	4,963.8	5,216.7	- 252.9	- 4.8	5,053.8	- 1.8
220.1	189.8	[ 30.3 ]	[ 16.0 ]	364.7	- 39.6	2,255.8	2,778.1	- 522.3	- 18.8	2,592.1	- 13.0
614.5	648.1	- 33.6	- 5.2	573.4	7.2	6,153.2	6,728.3	- 575.1	- 8.5	6,088.1	1.1
\$ 1,199.0	\$ 1,232.5	\$ - 33.5	- 2.7	\$ 1,290.6	- 7.1	\$ 13,372.8	\$ 14,723.1	\$- 1,350.3	- 9.2	\$ 13,734.0	- 2.6
\$ 4,959.5	\$ 5,264.7	\$- 305.2	- 5.8	\$ 5,129.5	- 3.3	\$ 63,335.1	\$ 67,437.1	\$- 4,102.0	- 6.1	\$ 65,046.1	- 2.6
6.2	27.4	- 21.2	- 77.4	30.1	- 79.4	355.6	391.1	- 35.5	- 9.1	356.0	- 0.1
23.1	123.8	- 100.7	- 81.3	106.3	- 78.3	92.4	1,609.8	- 1,517.4	- 94.3	1,594.6	- 94.2
0.0	0.0	0.0	NM	0.0	NM	360.3	0.0	[ 360.3 ]	NM	0.0	NM
\$ 4,988.8	\$ 5,415.9	\$- 427.1	- 7.9	\$ 5,265.9	- 5.3	\$ 64,143.4	\$ 69,438.0	\$- 5,294.6	- 7.6	\$ 66,996.6	- 4.3

[ ]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

\*\*Includes impact of revised CSRS funding requirements as a result of PL 108-18. Refer to notes on page 2 for an explanation of this impact.

\*\*\* The item represents a premium paid of \$360.3 million for the repurchase of \$5,976.5 million of long-term debt payable to the Federal Financing Bank (FFB). Funds for the repurchase were provided through short-term debt obtained from the FFB.

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



**ANALYSIS OF OPERATING EXPENSES**  
**Accounting Period 13, 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
\$ 27.3	\$ 28.0	\$ -0.7	-2.4	\$ 25.5	7.1		Operations:	\$ 357.2	\$ 356.4	[\$ 0.8]	[ 0.2]	\$ 339.4
812.6	821.6	-9.0	-1.1	800.2	1.5	-Support	10,994.7	11,071.1	-76.4	-0.7	11,021.0	-0.2
341.6	344.0	-2.4	-0.7	320.8	6.5	-Mail Processing	4,402.7	4,431.0	-28.3	-0.6	4,209.1	4.6
1,167.0	1,172.7	-5.7	-0.5	1,118.7	4.3	-Rural Delivery	15,178.2	15,103.9	[ 74.3]	[ 0.5]	14,582.1	4.1
83.7	83.7	[ 0.0]	[ 0.0]	78.8	6.2	-City Delivery**	1,094.2	1,090.6	[ 3.6]	[ 0.3]	1,055.2	3.7
210.9	218.0	-7.1	-3.2	196.3	7.4	-Vehicles Services	2,739.7	2,804.3	-64.6	-2.3	2,593.8	5.6
558.0	561.8	-3.9	-0.7	538.0	3.7	-Plant & Equip Maint	7,372.5	7,368.7	[ 3.8]	[ 0.1]	7,303.8	0.9
15.9	23.5	-7.6	-32.5	18.0	-11.7	-Customer Services	231.5	272.6	-41.1	-15.1	246.7	-6.2
26.4	26.6	-0.2	-0.6	23.3	13.4	Finance	331.2	337.3	-6.1	-1.8	312.8	5.9
40.7	42.4	-1.7	-4.0	37.7	8.2	Human Resources	518.0	539.7	-21.7	-4.0	467.2	10.9
179.1	181.0	-1.9	-1.1	164.9	8.6	Customer Service & Sales	2,292.8	2,268.0	[ 24.8]	[ 1.1]	2,153.9	6.4
122.7	117.0	[ 5.8]	[ 4.9]	134.6	-8.8	Administration	1,693.4	1,803.4	-110.0	-6.1	2,074.4	-18.4
<b>\$ 3,586.0</b>	<b>\$ 3,620.3</b>	<b>\$ -34.3</b>	<b>-0.9</b>	<b>\$ 3,456.7</b>	<b>3.7</b>	<b>Total Salaries &amp; Benefits</b>	<b>\$ 47,206.1</b>	<b>\$ 47,447.0</b>	<b>\$ -240.9</b>	<b>-0.5</b>	<b>\$ 46,359.3</b>	<b>1.8</b>
75.8	119.8	-44.1	-36.8	127.2	-40.4	Workers' Compensation	1,412.8	1,557.9	-145.1	-9.3	1,506.3	-6.2
-4.1	7.7	-11.7	-152.8	9.0	-145.3	Unemployment Compensation	64.2	99.9	-35.7	-35.7	133.6	-51.9
1.8	107.9	-106.1	-98.3	94.3	-98.1	Deferred Retirement Cost***	7.2	1,402.2	-1,395.0	-99.5	1,389.3	-99.5
0.0	69.3	-69.3	-100.0	66.3	-100.0	CSRS Annuitant COLA***	0.0	901.0	-901.0	-100.0	870.5	-100.0
89.4	89.4	0.0	0.0	71.5	25.0	Annuitant Health Benefits	1,143.3	1,162.3	-19.0	-1.6	986.9	15.8
11.7	17.8	-6.1	-34.5	13.9	-16.3	Other Compensation	128.7	143.6	-15.0	-10.4	66.2	94.5
<b>\$ 3,760.5</b>	<b>\$ 4,032.2</b>	<b>\$ -271.7</b>	<b>-6.7</b>	<b>\$ 3,838.9</b>	<b>-2.0</b>	<b>Total Personnel Compensation***</b>	<b>\$ 49,962.3</b>	<b>\$ 52,714.0</b>	<b>\$ -2,751.7</b>	<b>-5.2</b>	<b>\$ 51,312.0</b>	<b>-2.6</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.

\*\*\*Includes impact of revised CSRS funding requirements as a result of PL 108-18. Refer to notes on page 2 for an explanation of this impact.

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

**ANALYSIS OF NON-PERSONNEL EXPENSES**  
**Accounting Period 13, FY 2003**  
**(\$ Millions)**

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	Description	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 364.4	\$ 394.6	\$ -30.2	-7.7	\$ 352.5	3.4	Transportation	\$ 4,963.8	\$ 5,216.7	\$ -252.9	-4.8	\$ 5,053.8	-1.8
220.1	189.8	[ 30.3 ]	[ 16.0 ]	364.7	-39.6	Supplies & Services	2,255.8	2,778.1	-522.4	-18.8	2,592.1	-13.0
234.0	235.5	-1.4	-0.6	181.6	28.9	Depreciation	2,355.0	2,524.7	-169.7	-6.7	2,338.3	0.7
82.4	80.6	[ 1.8 ]	[ 2.2 ]	70.5	16.9	Rent	947.3	958.2	-10.9	-1.1	908.4	4.3
57.0	58.2	-1.2	-2.0	67.9	-16.0	Fuel & Utilities	517.3	542.0	-24.7	-4.6	520.6	-0.6
30.9	33.3	-2.4	-7.1	30.1	2.8	Rural Carrier Equip Maint Allowance	405.4	416.4	-11.1	-2.7	391.2	3.6
35.8	37.8	-2.1	-5.5	36.3	-1.6	Vehicle Maintenance	444.5	422.3	[ 22.3 ]	[ 5.3 ]	406.3	9.4
70.0	82.3	-12.3	-15.0	52.0	34.6	Information Technology	474.5	594.3	-119.8	-20.2	396.6	19.6
29.6	16.1	[ 13.5 ]	[ 83.7 ]	22.8	30.1	Building Projects Expensed	189.5	224.4	-34.9	-15.5	165.1	14.8
6.9	6.8	[ 0.1 ]	[ 1.4 ]	6.8	0.0	Contract Job Cleaners	79.5	75.9	[ 3.6 ]	[ 4.7 ]	74.1	7.3
16.3	14.8	[ 1.4 ]	[ 9.7 ]	24.1	-32.5	Travel & Relocation	175.4	147.8	[ 27.6 ]	[ 18.7 ]	148.2	18.4
24.1	22.8	[ 1.2 ]	[ 5.4 ]	20.3	18.7	Communications	205.4	229.5	-24.1	-10.5	213.0	-3.6
5.5	6.0	-0.4	-7.4	5.5	1.1	Contract Stations	70.7	74.4	-3.7	-4.9	72.0	-1.7
2.4	6.0	-3.6	-60.0	6.3	-62.1	Printing	23.6	41.2	-17.6	-42.6	33.3	-29.1
4.0	6.7	-2.8	-41.2	5.3	-25.6	Training	45.1	75.7	-30.6	-40.4	52.8	-14.6
2.8	5.1	-2.3	-45.3	4.2	-33.5	Carfare & Tolls	44.8	58.3	-13.5	-23.2	58.0	-22.8
1.1	2.2	-1.2	-51.9	1.3	-15.5	Vehicle Hire	21.8	30.4	-8.6	-28.2	29.9	-27.1
5.4	5.9	-0.5	-8.1	6.1	-10.3	Accident Cost	52.3	54.1	-1.8	-3.2	53.4	-1.9
4.1	-3.6	[ 7.7 ]	[ 214.7 ]	-0.5	-852.5	Capitalized Interest	-0.8	-46.4	[ 45.6 ]	[ 98.2 ]	-25.2	-96.6
2.2	31.5	-29.3	-93.1	32.8	-93.3	Miscellaneous <sup>1</sup>	101.9	305.2	-203.3	-66.6	252.2	-59.6
<b>\$ 1,199.0</b>	<b>\$ 1,232.5</b>	<b>\$ -33.5</b>	<b>-2.7</b>	<b>\$ 1,290.6</b>	<b>-7.1</b>	<b>Total Non-Personnel Expenses</b>	<b>\$ 13,372.8</b>	<b>\$ 14,723.1</b>	<b>\$- 1,350.3</b>	<b>-9.2</b>	<b>\$ 13,734.0</b>	<b>-2.6</b>

[ ]=Unfavorable variance to budget

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

1) The current period includes an \$9.2 million negative adjustment from Emergency Preparedness Plan appropriations. The year-to-date amount is \$139.4 million.

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

STATEMENT OF FINANCIAL POSITION			
Accounting Period 13, FY 2003			
(\$ Millions)			
Assets	September 5, 2003	August 8, 2003	September 30, 2002 *
<b>Current Assets:</b>			
Cash and cash equivalents _1/	\$ 3,426	\$ 3,080	\$ 1,150
U.S. Government securities, at amortized cost which approximates market	6	6	6
<b>Receivables:</b>			
Foreign countries	723	706	592
U.S. Government	326	288	125
Other	197	198	192
	<u>1,246</u>	<u>1,192</u>	<u>909</u>
Less allowances	<u>116</u>	<u>116</u>	<u>112</u>
	1,130	1,076	797
Supplies, advances and prepayments	<u>381</u>	<u>385</u>	<u>327</u>
<b>Total Current Assets</b>	<b>4,943</b>	<b>4,547</b>	<b>2,280</b>
Other assets _2/	368	368	368
<b>Property and equipment, at cost:</b>			
Buildings	19,767	19,757	19,513
Equipment	17,103	17,121	16,421
Land	2,809	2,822	2,776
	<u>39,679</u>	<u>39,700</u>	<u>38,710</u>
Less allowances for depreciation	<u>18,086</u>	<u>17,967</u>	<u>16,401</u>
	21,593	21,733	22,309
Construction in progress	914	829	1,223
Leasehold improvements, net	<u>558</u>	<u>568</u>	<u>604</u>
	23,065	23,130	24,136
Deferred Retirement Costs _3/	<u>0</u>	<u>0</u>	<u>32,231</u>
<b>Total Assets</b>	<b>\$ 28,376</b>	<b>\$ 28,045</b>	<b>\$ 59,015</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 foregone.

\_3/ On December 2, 2003, financial statements for Quarter III were revised to remove the amounts payable for Deferred Retirement Cost from our assets and liabilities. Previous Financial and Operating Statements were not modified. This report (AP 13) reflects that change for September 5 (AP 13) and August 8 (AP 12). Public Law 108-18 (PL 108-18), the Civil Service Retirement System Funding Reform Act of 2003, revised Postal Service funding of the Civil Service Retirement and Disability Fund (CSRDF). The normal cost contribution was increased from 7% to 17.4% of basic pay effective May 3, 2003. Additionally, the law provides that the Office of Personnel Management (OPM) determine any potential supplemental liability on an annual basis. This determination will be both one year in arrears and subject to future adjustments. As a result of the uncertainty in determining this amount and consistent with accounting guidance for multiemployer retirement plans where only final amounts billed are reflected on the financial statements, the Postal Service will disclose the estimated CSRDF supplemental liability in our notes to the financial statements (currently estimated at \$5.8 billion), and the annual expense charged to us by OPM will be recognized in the year billed.

\* Audited year-end data

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

**STATEMENT OF FINANCIAL POSITION**  
**Accounting Period 13, FY 2003**  
**(\$ Millions)**

Liabilities and Equities	September 5, 2003	August 8, 2003	September 30, 2002 *
<b>**Current Liabilities:</b>			
Compensation and employees' benefits	\$ 2,183	\$ 2,155	\$ 5,113
Estimated prepaid postage	1,440	1,468	1,500
<b>Payables and accrued expenses:</b>			
Foreign countries	796	789	748
U.S. Government	117	131	246
Other - Including Emergency Preparedness Appropriations	<u>2,476</u>	<u>2,175</u>	<u>1,167</u>
	3,389	3,095	2,161
Appropriation for free & reduced rate mail	2	5	0
Prepaid permit mail and box rentals	1,957	1,967	2,011
Outstanding postal money orders	1,023	920	986
Current portion of debt	<u>7,274</u>	<u>7,274</u>	<u>3,815</u>
<b>Total Current Liabilities</b>	<b>17,268</b>	<b>16,884</b>	<b>15,586</b>
<b>Long-term debt, less current portion</b>	<b>0</b>	<b>0</b>	<b>7,300</b>
<b>Other Liabilities:</b>			
Amounts payable for retirement benefits _3/	0	0	30,046
Workers' compensation claims	7,114	7,038	5,815
Employees' accumulated leave	1,862	1,931	2,088
Other	<u>1,323</u>	<u>1,348</u>	<u>1,182</u>
<b>Total Other Liabilities</b>	<b>10,299</b>	<b>10,317</b>	<b>39,131</b>
Capital Contributions of the US Government	3,034	3,034	3,034
Deficit Since Reorganization	<u>- 2,225</u>	<u>- 2,190</u>	<u>- 6,036</u>
Equity/Capital Deficiency	<u>809</u>	<u>844</u>	<u>- 3,002</u>
<b>Total Liabilities and Equity</b>	<b><u>\$ 28,376</u></b>	<b><u>\$ 28,045</u></b>	<b><u>\$ 59,015</u></b>

\_3/ On December 2, 2003, financial statements for Quarter III were revised to remove the amounts payable for Deferred Retirement Cost from our assets and liabilities. Previous Financial and Operating Statements were not modified. This report (AP 13) reflects that change for September 5 (AP 13) and August 8 (AP 12). Public Law 108-18 (PL 108-18), the Civil Service Retirement System Funding Reform Act of 2003, revised Postal Service funding of the Civil Service Retirement and Disability Fund (CSRDF). The normal cost contribution was increased from 7% to 17.4% of basic pay effective May 3, 2003. Additionally, the law provides that the Office of Personnel Management (OPM) determine any potential supplemental liability on an annual basis. This determination will be both one year in arrears and subject to future adjustments. As a result of the uncertainty in determining this amount and consistent with accounting guidance for multiemployer retirement plans where only final amounts billed are reflected on the financial statements, the Postal Service will disclose the estimated CSRDF supplemental liability in our notes to the financial statements (currently estimated at \$5.8 billion), and the annual expense charged to us by OPM will be recognized in the year billed.

\* 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 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 Analysis to the Financial and Operating Statements beginning on page 16.

**STATEMENT OF CASH FLOWS**

**Fiscal Year 2003**

**(\$ Millions)**

**For the Fiscal Year through September 5, 2003**

**Cash flows from operating activities:**

Net income/(loss) (Government Fiscal Year Basis)	\$ 3,811
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:	
Depreciation and amortization	2,269
Increase/(decrease) in other liabilities	141
Increase/(decrease) in employees' accumulated leave	(226)
Increase/(decrease) in non-current workers' compensation claims	1,299
Increase/(decrease) in retirement, net *	2,185
Changes in current assets and liabilities:	
Increase/(decrease) in accrued compensation and benefits *	(2,930)
Increase/(decrease) in deferred revenue	(112)
Increase/(decrease) in payables and accrued expenses	1,228
(Increase)/decrease in receivables	(333)
(Increase)/decrease in supplies, advances and prepayments	(54)
Increase/(decrease) in outstanding postal money orders	37

**Net cash provided by operating activities** **7,315**

**Cash flows from investing activities:**

Sale/(purchase) of U.S. Government securities, net	0
Purchase and sale of property and equipment, net	<u>(1,198)</u>

**Net cash used in investing activities** **(1,198)**

**Cash flows from financing activities:**

Increase/(decrease) in debt	(3,841)
(Increase)/decrease in other non-current assets	<u>0</u>

**Net cash used by financing activities** **(3,841)**

**Net (decrease)/increase in cash and cash equivalents** **2,276**

**Cash and cash equivalents at beginning of period** **1,156**

**Cash and cash equivalents at end of period** **\$ 3,432**

\* Public Law 108-18 (PL 108-18), The Postal Civil Service Retirement Reform Act of 2003 revised Postal Service funding of the Civil Service Retirement System. The normal cost contribution on basic pay was increased from 7% to 17.4% effective May 3, 2003. In addition, the deferred retirement costs for CSRS to OPM were decreased to an estimated value at the end of FY 2003 of \$5.8 billion. Under PL 108-18, the first payment on the deferred retirement costs is due on September 30, 2004.

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

**CAPITAL INVESTMENTS**  
**FY 2003**  
**(\$ Millions)**

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	A/P 13 Year-to-Date			A/P 13 Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 227.1	\$ 517.4	\$ 83.0	\$ 109.5	\$ 277.5	\$ 169.5
BUILDING IMPROVEMENTS	201.1	237.9	161.2	173.9	264.5	195.4
MAIL PROCESSING EQUIPMENT	935.7	938.4	734.3	585.5	713.1	867.7
VEHICLES	142.8	190.6	127.7	131.6	244.5	111.6
RETAIL EQUIPMENT	106.7	210.2	7.4	11.1	203.9	38.2
POSTAL SUPPORT EQUIPMENT	211.8	430.6	203.5	215.9	279.4	226.7
<b>TOTAL COMMITMENTS/CASH OUTLAYS</b>	<b>\$ 1,825.3</b>	<b>\$ 2,525.1</b>	<b>\$ 1,317.0</b>	<b>\$ 1,227.5</b>	<b>\$ 1,982.9</b>	<b>\$ 1,609.1</b>

**RESOURCES ON ORDER**  
**(\$ Millions)**

MAJOR CATEGORIES	September 5, 2003	September 30, 2002
CONSTRUCTION AND BUILDING PURCHASE	\$ 235.5	\$ 132.3
BUILDING IMPROVEMENTS	154.0	157.1
MAIL PROCESSING EQUIPMENT	1,297.1	964.6
VEHICLES	157.1	145.8
RETAIL EQUIPMENT	136.5	40.9
POSTAL SUPPORT EQUIPMENT	88.4	95.2
<b>TOTAL RESOURCES ON ORDER</b>	<b>\$ 2,068.6</b>	<b>\$ 1,535.9</b>

Note: Totals may not sum due to rounding.

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

**WORKHOURS & OVERTIME/SICK LEAVE RATIOS**

Accounting Period 13, 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 Workhours</u>					
					<b>Operations:</b>					
655	- 20	- 2.9	670	- 2.2	-Support	9,088	[ 30 ]	[ 0.3 ]	9,106	- 0.2
24,619	- 791	- 3.1	26,189	- 6.0	-Mail Processing	349,843	- 6,744	- 1.9	374,597	- 6.6
12,708	- 42	- 0.3	12,454	2.0	-Rural Delivery	166,257	- 1,339	- 0.8	169,939	- 2.2
34,412	- 188	- 0.5	34,906	- 1.4	-City Delivery **	463,631	[ 1,826 ]	[ 0.4 ]	470,075	- 1.4
2,350	- 24	- 1.0	2,395	- 1.9	-Vehicles Services	32,073	- 96	- 0.3	32,835	- 2.3
6,072	- 276	- 4.3	6,108	- 0.6	-Plant & Equip Maint	81,703	- 2,615	- 3.1	82,127	- 0.5
16,806	- 178	- 1.0	17,356	- 3.2	-Customer Services	231,519	- 463	- 0.2	241,491	- 4.1
400	- 217	- 35.2	515	- 22.3	Finance	6,370	- 1,174	- 15.6	7,204	- 11.6
661	[ 2 ]	[ 0.3 ]	628	5.2	Human Resources	8,696	- 151	- 1.7	8,640	0.7
1,100	- 63	- 5.4	1,103	- 0.3	Customer Service & Sales	14,790	- 743	- 4.8	14,199	4.2
5,044	- 27	- 0.5	5,023	0.4	Administration	67,688	[ 927 ]	[ 1.4 ]	66,864	1.2
2,815	- 411	- 12.7	3,327	- 15.4	Other	41,544	- 1,901	- 4.4	50,245	- 17.3
<b>107,645</b>	<b>- 2,231</b>	<b>- 2.0</b>	<b>110,676</b>	<b>- 2.7</b>	<b>Total Workhours</b>	<b>1,473,202</b>	<b>- 12,440</b>	<b>- 0.8</b>	<b>1,527,322</b>	<b>- 3.5</b>

Overtime						
Actual	Budget	SPLY		Actual	Budget	SPLY
8.6%	8.2%	8.0%	<b>Overtime Ratio Per 100 Workhours</b>	8.1%	8.0%	7.7%

Sick Leave						
Actual	Budget	SPLY		Actual	Budget	SPLY
4.0%	--	4.0%	<b>Sick Leave Ratio Per 100 Workhours</b>	4.1%	--	4.0%

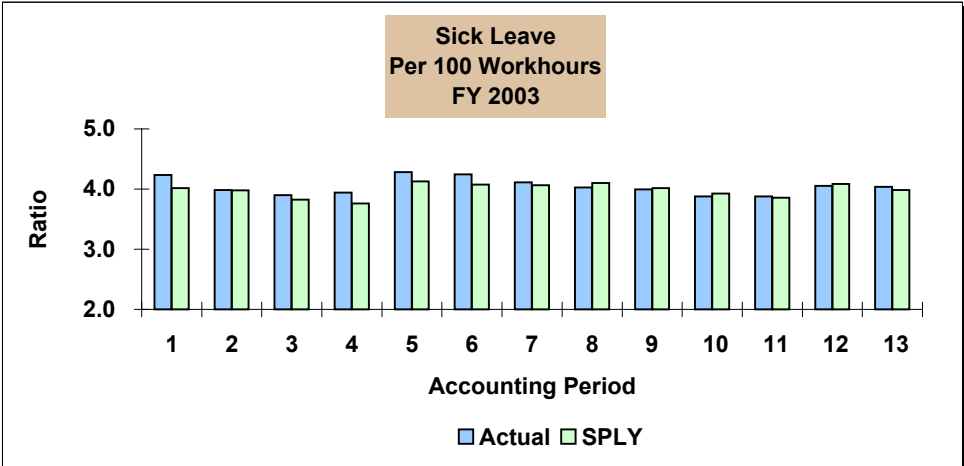
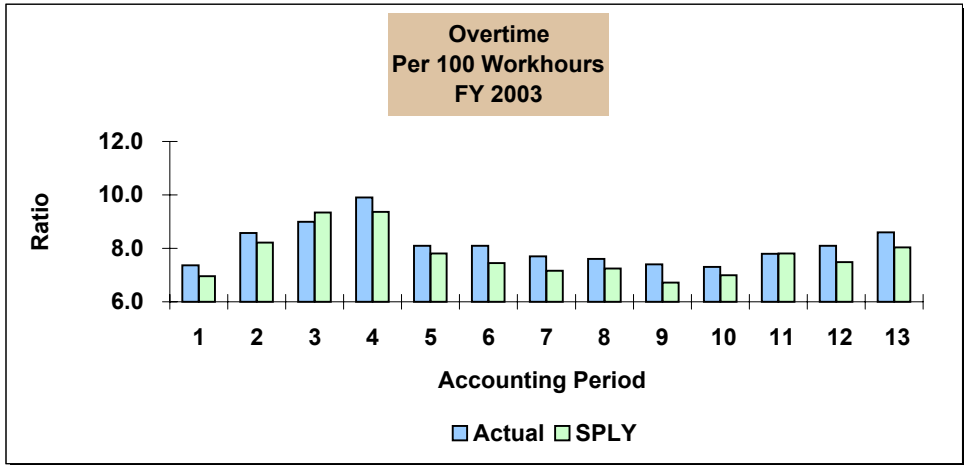
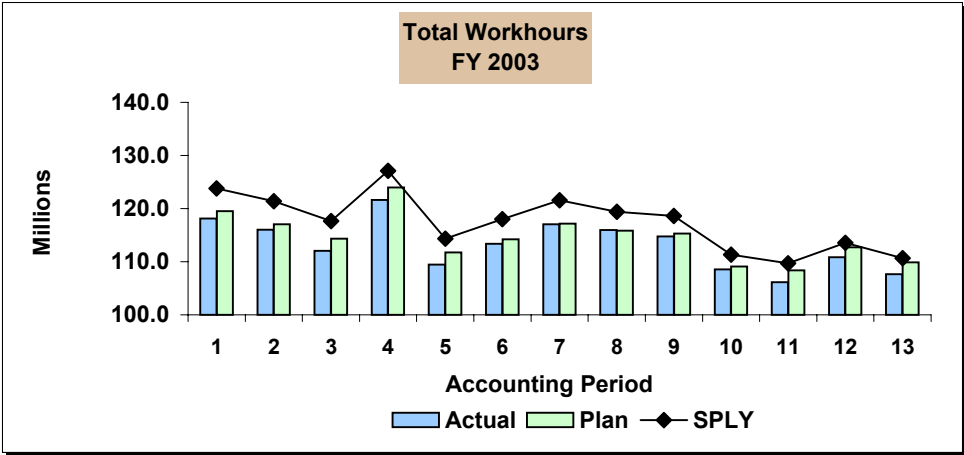
[ ]=Unfavorable variance to budget

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 Analysis to the Financial and Operating Statements beginning on page 16.



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



Accounting Period 13, FY 2003

Analysis of the Financial and Operating Statements

The following provides a crosswalk from performance including the impacts of the recently enacted CSRS legislation (PL 108-18) explained on page 2 to performance, excluding the impacts.

Accounting Period 13 Performance						
	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
1. Total Expenses with PL 108-18 Impact (From page 1)	\$ 4,988.8	\$ 5,415.9	\$ - 427.1	- 7.9	\$ 5,265.9	- 5.3
2. Employer Share Increase from 7% to 17.4%	- 83.8					
3. Reduction of Funding for CSRS Deferred Retirement Costs <sup>1</sup>	175.4					
4. Reduction of Interest Expense Related to CSRS Deferred Retirement Costs <sup>2</sup>	100.7					
5. Total Expenses without impacts of PL 108-18 (Sum of lines 1 thru 4)	\$ 5,181.0	\$ 5,415.9	\$ - 234.9	- 4.3	\$ 5,265.9	- 1.6
6. Total Revenue (From page 1)	4,963.8	5,155.2	[\$ - 191.4 ]	[ - 3.7 ]	5,193.8	- 4.4
7. Net Income without impacts of PL 108-18 (Line 6 minus Line 5)	\$ - 217.2	\$ - 260.7	\$ 43.5	-	\$ - 72.1	-

Year-to-Date Through Accounting Period 13 Performance						
	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
1. Total Expenses with PL 108-18 Impact (From page 1)	\$ 64,143.4	\$ 69,438.0	\$ - 5,294.6	- 7.6	\$ 66,996.6	- 4.3
2. Employer Share Increase from 7% to 17.4%	- 377.1					
3. Reduction of Funding for CSRS Deferred Retirement Costs <sup>1</sup>	2,296.0					
4. Reduction of Interest Expense Related to CSRS Deferred Retirement Costs <sup>2</sup>	1,517.4					
5. Total Expenses without impacts of PL 108-18 (Sum of lines 1 thru 4)	\$ 67,579.6	\$ 69,438.0	\$ - 1,858.4	- 2.7	\$ 66,996.6	0.9
6. Total Revenue (From page 1)	68,542.6	70,169.1	[\$ - 1,626.5 ]	[ - 2.3 ]	66,057.9	3.8
7. Net Income without impacts of PL 108-18 (Line 6 minus Line 5)	\$ 962.9	\$ 731.1	\$ 231.8	-	\$ - 938.7	-

[ ]=Unfavorable variance to budget

- 1) This is the savings on the reduced principle as a result of PL 108-18 lowering the deferred retirement costs. The original amount accrued for this was \$177.2 million per accounting period, while the current amount is \$1.8 million.
- 2) This is the interest savings as a result of the lowered deferred retirement costs. The original amount accrued for this was \$123.8 million per accounting period, while the current amount is \$23.1 million.

The following Analysis of Financial and Operating Statements refer to performance without the impacts from PL 108-18.

## Accounting Period 13, FY 2003

### Analysis of Financial and Operating Statements

The following Analysis of the Financial and Operating Statements refer to performance without the impacts from the CSRS legislation for AP 13.

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

Current period, Total Revenue was 3.7% or \$191 million under plan. Commercial Revenue was 5.8% or \$228 million under plan. The biggest drivers of the Commercial Revenue plan underrun were Customer Meters at \$151 million under, First-Class Permit Imprint Mail at \$40 million under and Other Permit at \$31 million under. Total Revenue was 4.4% or \$230 million under same period last year (SPLY). The bulk of the decrease to SPLY for total revenue was reflected in Stamps and Stamped Paper, \$61 million under and Metered Postage decreased by \$60 million.

Year-to-date (YTD), Total Revenue is \$1,626 million or 2.3% under plan. Other Commercial Accounts contribute to the majority of the Total Revenue underrun to plan, \$1,374 million, with Customer Meters being the largest contributor. As compared to SPLY, Total Revenue has increased 3.8% or \$2,485 million driven by the rate change on June 30, 2002. Permit Imprint, Metered Postage, and Stamps and Stamped Paper revenue combined are \$2.0 billion of this total revenue change to SPLY amount.

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

Current period, Total Expenses were \$235 million or 4.3% below plan. Both personnel and non-personnel costs were below plan. Total workhours were 2.0% below plan and 2.7% below SPLY (see page 14). The primary contributors of the \$34 million plan underrun in non-personnel costs were Transportation and Information Technology, which were \$30 million and \$12 million below plan, respectively.

YTD, Total Expenses are \$1,858 million or 2.7% below plan. This includes \$360.3 million premium paid for the repurchase of \$6.0 billion of long term debt. Most of the YTD plan underrun lies in Personnel Compensation, \$833 million; Supplies and Services, \$522 million; Transportation, \$253 million; Depreciation, \$170 million; and Information Technology, \$120 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. Reduced workload due to lower than planned mail volume has also had an impact.

#### Mail Volume and Revenue - Page 3

Total Mail Volume for Quarter IV, Fiscal Year (FY) 2003 was 1,069 million pieces below SPLY, or 1.8%. Packages and International Mail were above SPLY, while First-Class Mail, Priority Mail, Express Mail, Periodicals and Standard Mail were below their Quarter IV, FY 2002, levels.

The Total Mail Revenue for Quarter IV, FY 2003 YTD was 3.8% above that reported during the same period last year (SPLY). The most significant increase over SPLY is in Standard Mail, 2.7 billion pieces. 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.

## Accounting Period 13, FY 2003

### Notes to the Financial and Operating Statements (Continued)

#### Capital Commitments - Pages 1 and 13

The Fiscal Year 2003 Capital Commitments AP 13 YTD are \$1,825 million compared to a plan of \$2,525 million. This represents an underrun of about \$700 million or 27.7%. The single largest commitment made thus far in FY 2003 was \$321 million for the Automated Package Processing Systems project which has a projected return on investment (ROI) of 24.4%.

The Cash Outlays YTD are \$1,228 million versus a plan of \$1,983 million, representing a \$755 million underrun to plan.

#### Workhours - Pages 1, 14 and 15

Total workhours for the accounting period were 2.2 million hours or 2.0% below plan and 3.0 million hours below same period last year. The Mail processing function, which includes automated, mechanized and manual distribution, remote barcoding operations, platform operations, and supervision was 1.6 million workhours less than SPLY. An additional 1.0 million workhours were reduced in City Delivery Service and Customer Service combined. These reductions were a direct result of cost containment and efficiency improvement activities outlined in the Transformation Plan. Other Workhours category on page 14, relating to Limited Duty, Rehabilitation and Headquarters General Management hours, also played a major role in workhour reductions to SPLY. Current period, it should be noted that Other Workhours were 0.5 million hours below same period last year.

Total workhours for AP 13 YTD are reduced by 54.1 million hours or 3.5% below SPLY. This reduction in workhours reflects the continuation of cost containment activities through the installation of more efficient mail processing equipment and other productivity enhancements, as well as capturing workhours as a result of decreasing workload. To date, Mail Processing workhours have been reduced 24.8 million hours below same period last year. City and Rural Delivery, combined with Customer Service clerk workhours, contributed to a reduction of 20.1 million workhours to SPLY.