



OC LAFCO
Public/Private Partnership Discussions
August 8, 2012



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UPS Lowers Full-Year Forecast

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- **UNITED PARCEL SERVICE, THE WORLD'S LARGEST PACKAGE-DELIVERY COMPANY, CUT ITS FULL-YEAR FORECAST ON TUESDAY AFTER A DROP IN INTERNATIONAL PACKAGE SALES DRAGGED QUARTERLY PROFIT BELOW ANALYSTS' ESTIMATES.**
- **EARNINGS FOR 2012 MAY BE \$4.50 TO \$4.70 A SHARE, DOWN FROM A PREVIOUS PROJECTION OF \$4.75 TO \$5 A SHARE**



Efficiency Discussions

- Production – with over 100 years of delivery experience, how can we do it better? How can we do it faster?
- Technology Improvements
 - More efficient driver routing
 - Fleet management and safety tools
 - Skill requirements and part time turnover
- Outsource/consolidate – When? What? How?
 - Credit and Call centers
 - Accounting, Payroll

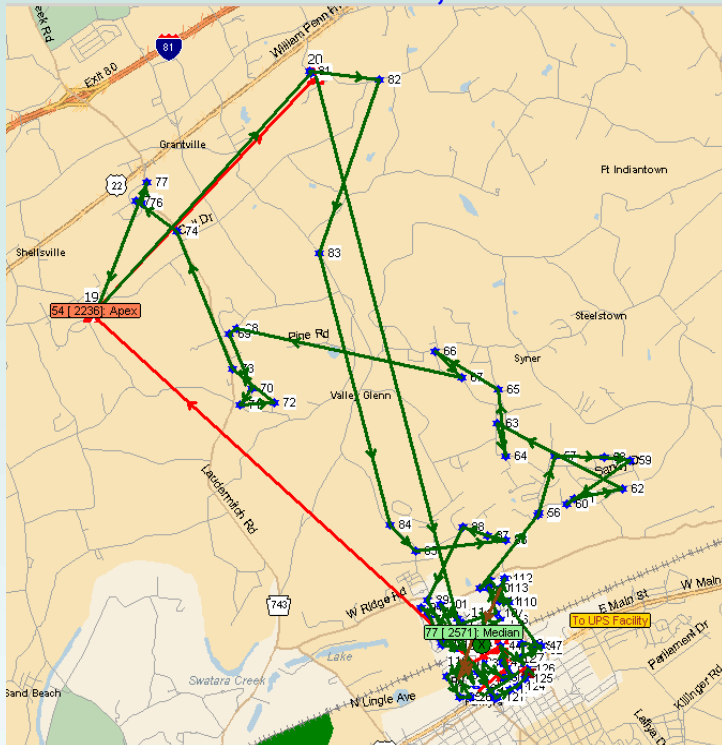


Efficiency Discussions - Productivity

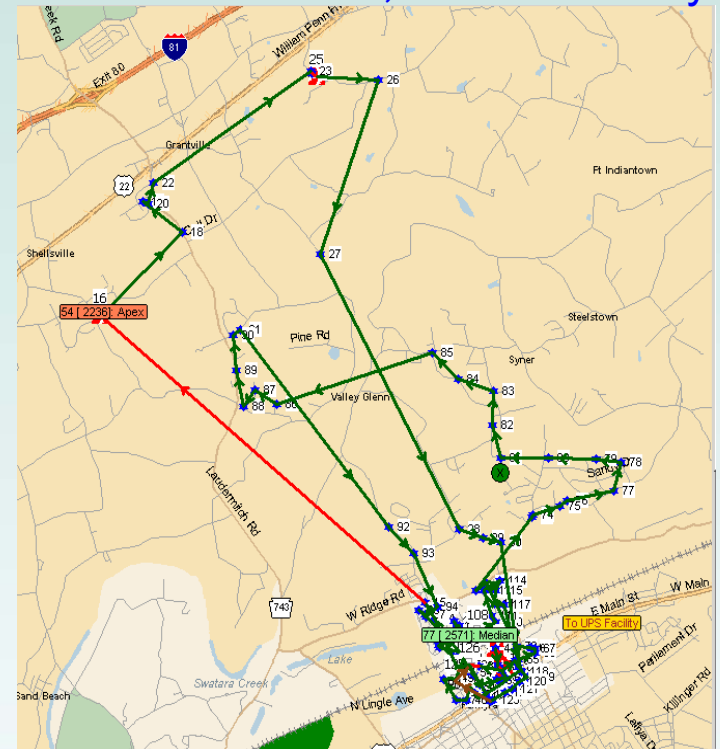
Orion Technology allows more efficient mapping of driver routes

- During our most recent quarter volume was up 2.7%
- Miles increased only 1%
- Associated direct payroll hours increased only 1 %

Previous – 134 Miles; 9.47 Paid Day



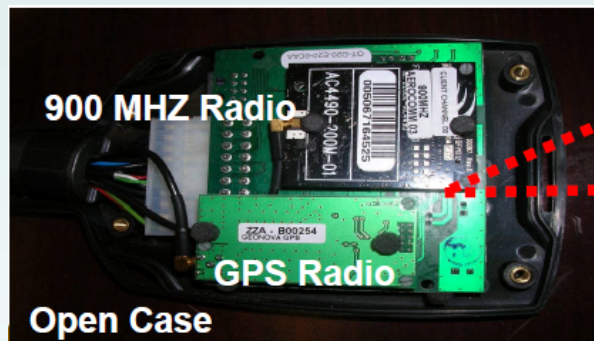
ORION– 91 Miles; 8.20 Paid Day



Efficiency Discussions - Technology

Telematics installed in all vehicles
(954,046 delivery vehicles)

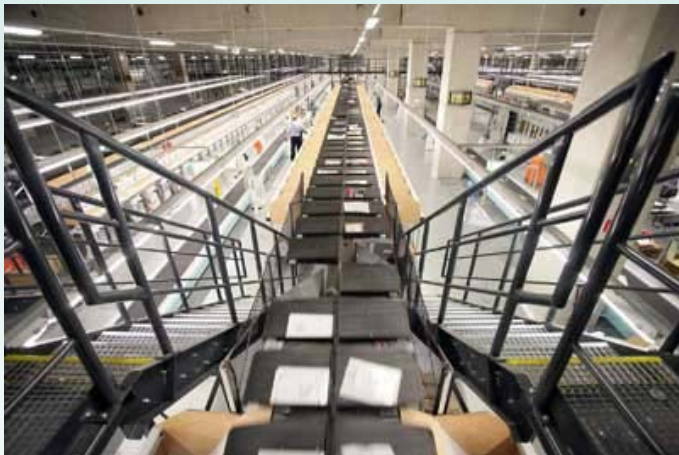
- Electronic monitoring of vehicles
- Reduced on road breakdowns
- Reduced parts expense (proactively replace)
- Extended engine life
- Move from time-based to condition-based maintenance
- Monitors seat belt usage and backing for improved safety



Efficiency Discussions - Technology

Increasing wages, health care, pension, training requirements, and high turnover concerns indicated a need to de-skill and automate some part time positions

- Loading of Package Cars required significant training to learn street rotations and gain area knowledge
 - Smart labels indicate where to load each package in a vehicle
 - Reduced training time from several weeks to a couple of days
 - Allows any loader to load any vehicle without weeks of training

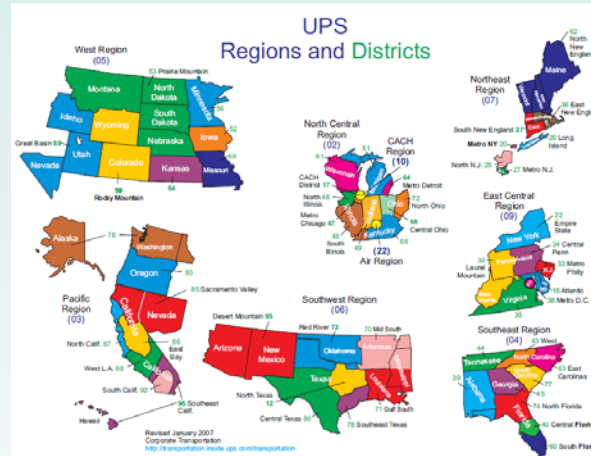


Efficiency Discussion

Outsource/Consolidate

- 60 districts all managed their own credit sites
- We now have 2 UPS and 2 outsourced credit sites
- Each of the 60 districts paid their own payroll
- Now we pay all of our domestic payroll from 1 location
- Customer call centers, receivables, payables, billing, etc.

2002 - 9 Regions and 60 Districts 2010 – 3 Regions and 20 Districts



Public/Private Partnership – Proposed Questions

- *How does the private sector stay nimble?*
- *How does the private sector view government?*
- *What can government learn from the private sector?*
- *With the limited pool of Federal, State and Local public capital, what policy changes at the local level can be made to increase private investments in public infrastructure?*



Thank You



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