



**Network Rationalization  
Update  
May 25, 2012**

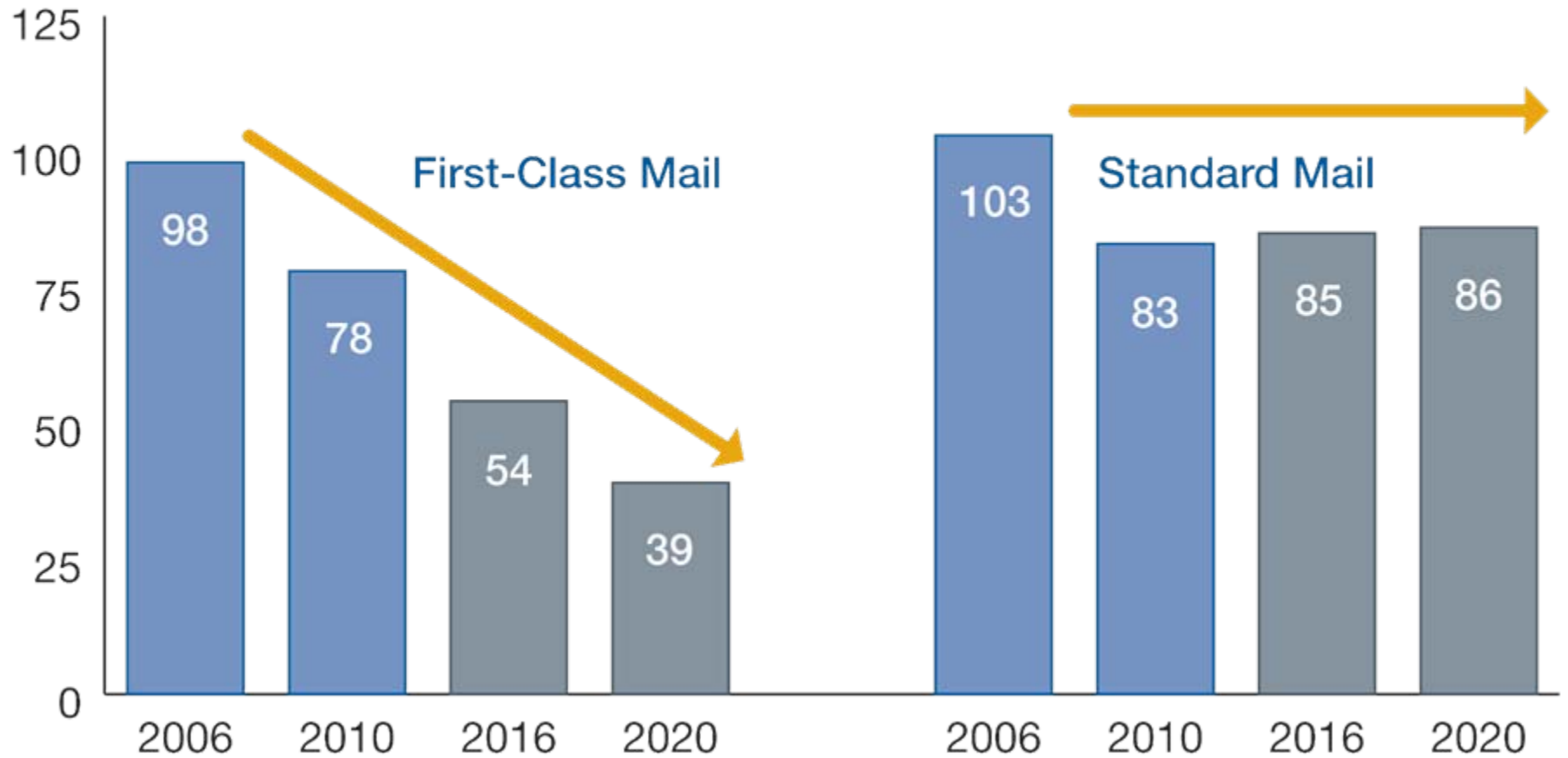


**PHASED NETWORK  
CONSOLIDATION**

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**MODIFIED SERVICE  
STANDARD CHANGE**



Volume in Billions of Pieces

# NETWORK CAPACITY

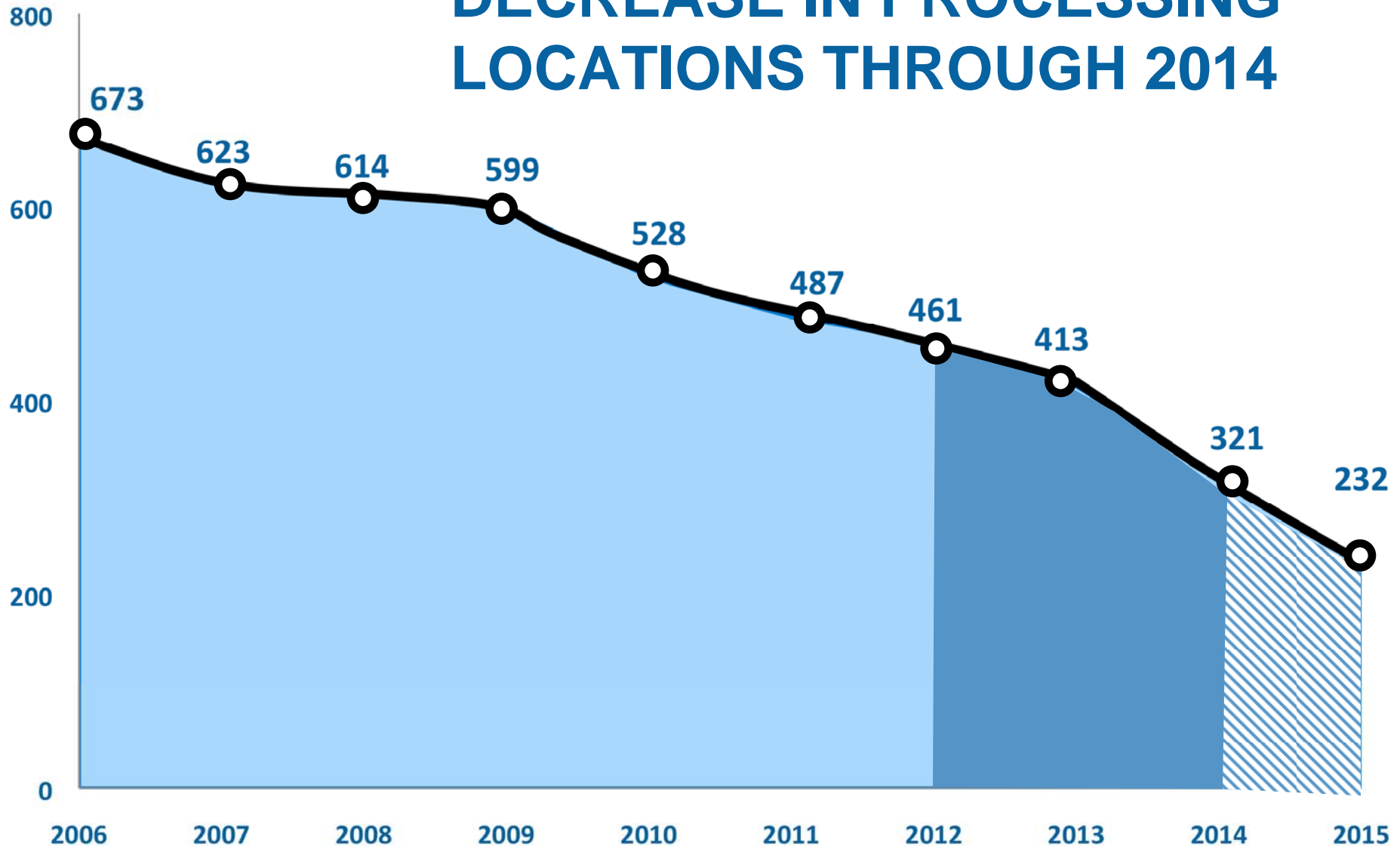
**GROWTH**  
Capacity Expansion



**CONSOLIDATION**  
Excess Capacity



## DECREASE IN PROCESSING LOCATIONS THROUGH 2014



# PROCEEDING WITH CONSOLIDATIONS OVER A LONGER TIME SPAN

## Summer 2012: Phase 1 Begins

Consolidating  
activity at 48  
locations within  
schedule  
constraints



## Spring 2013: Phase 1 Concludes

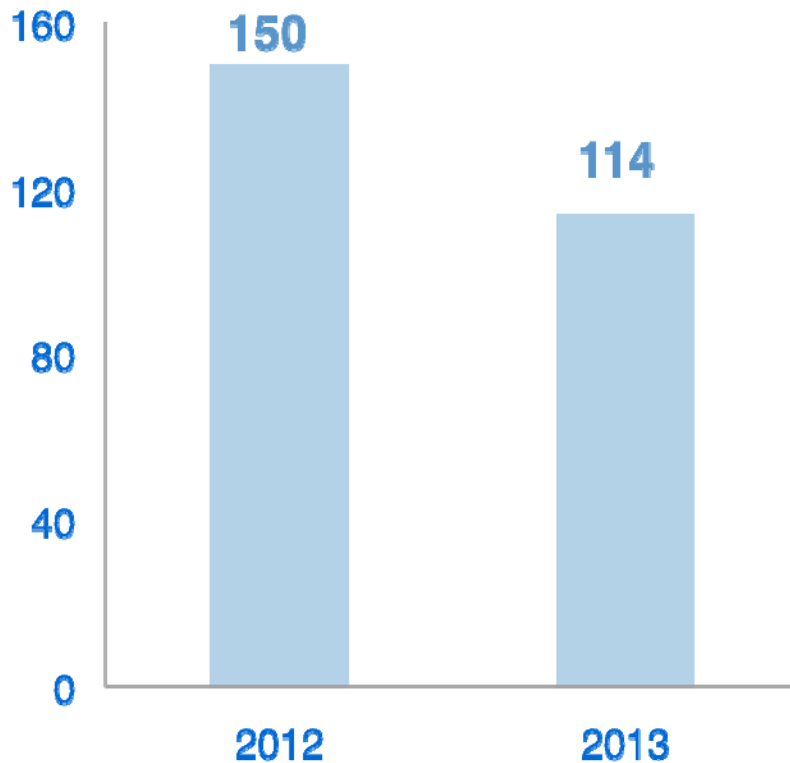
Consolidating  
activity at 140  
locations; \$1.2B  
in annual  
savings



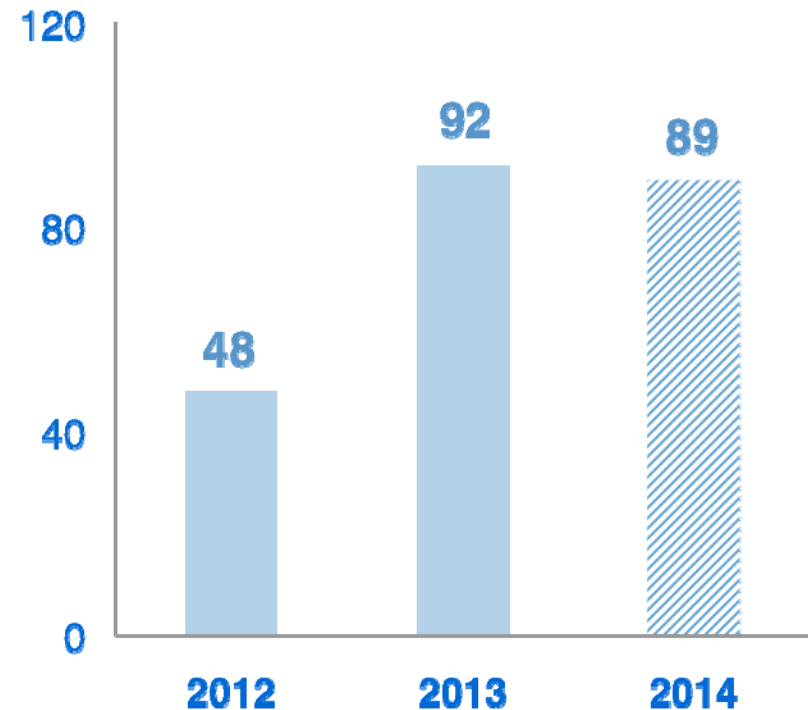
## Spring 2014: Phase 2

Consolidating  
activity at 89  
locations;  
\$2.1B  
combined  
savings

## CONSOLIDATING ACTIVITIES AT MAIL PROCESSING LOCATIONS



Announced September 15, 2011



New Plan May 17, 2012

## LIMITED ACTIVITY THIS SUMMER

- ➔ Consolidation activity at 48 locations

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- ➔ Equipment and employee moves to larger “gaining” sites

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- ➔ Realigned transportation model eliminates multiple overnight trips

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- ➔ 5,000 employees to receive notifications





## PREVIOUS TIMELINE

Feb. 2012 – Feb. 2013  
264 locations

2012

2013

2014

Phase 1: Aug. 2012  
48 locations

Phase 1: 2013  
92 locations

Phase 2: 2014  
89 locations

**REVISED TIMELINE: MAY 17, 2012**

## NEW APPROACH BASED ON:

### **Extended Timeline**

Providing customers and employees adequate time to plan and adapt to new footprint

### **Responsible Cost Reduction**

Meeting cost reduction goals while maintaining excellent service performance

### **Schedule Constraints**

Modest implementation summer 2012 due to compressed window

## INTERIM SERVICE STANDARD CHANGE

- ➔ Final Rule Submitted to Federal Register

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- ➔ Maintains overnight service for areas served by local mail processing facility

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- ➔ Preserves 80% of overnight delivery volume

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- ➔ Enables consolidating activity at 140 facilities

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- ➔ Post-2014: Revised entry times for overnight

## OUR COMMITMENT TO EMPLOYEES

- ➔ Methodical, measured transition
- ➔ Options available for staying with the Postal Service
- ➔ Intention to provide rolling incentives
- ➔ Reducing 28,000 positions, 158,000 employees retirement eligible
- ➔ Proven track record of avoiding lay-offs; success through attrition



## Measured Implementation

- Extended, multi-phase approach
- Compressed activity in Summer 2012
- Adequate planning time

## Meeting Customer Needs

- Customers support network changes
- Helps preserve affordability of mail
- Customers will continue to utilize mail

## Achieves Savings

- Saves \$2.1 billion dollars annually
- Consistent with five-year plan
- Helps return Postal Service to financial stability



***UNITED STATES***  

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***POSTAL SERVICE***®