Duluth MN Processing and Distribution Facility
Area Mail Processing (AMP)
Public Meeting

November 10, 2011
Two Topics

- Radical Network Realignment
- Area Mail Processing Study
Mail Volume Shifting to a Less Profitable Mix

Volume in Billions of Pieces

First-Class Mail

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume (Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>98</td>
</tr>
<tr>
<td>2010</td>
<td>78</td>
</tr>
<tr>
<td>2016</td>
<td>54</td>
</tr>
<tr>
<td>2020</td>
<td>39</td>
</tr>
</tbody>
</table>

Standard Mail

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume (Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>103</td>
</tr>
<tr>
<td>2010</td>
<td>83</td>
</tr>
<tr>
<td>2016</td>
<td>85</td>
</tr>
<tr>
<td>2020</td>
<td>86</td>
</tr>
</tbody>
</table>
NETWORK CAPACITY

GROWTH
Capacity Expansion

1970

2006
NETWORK CAPACITY

GROWTH Capacity Expansion

1970

CONSOLIDATION Excess Capacity

2006

2013
Potential Decrease in Processing Facilities Through 2013

As of 8/31/2011

- 673 in 2006
- 623 in 2007
- 614 in 2008
- 599 in 2009
- 528 in 2010
- 487 in 2011
- Less than 200 in 2013

Processing Facilities
Mail Processing Facility Footprint

487 Facilities Today

- Current Mail Processing Sites
Mail Processing Facility Footprint

Studying 252 Facilities for Potential Consolidation

☆ Currently Under Study
☆ Announced Sept. 15th
Mail Processing Redesign

Mail Processing Facility

Current Operation

Proposed Operation
FUTURE NETWORK

- Support 2-3 day Service Standards
- Revised Entry Times
- Reduced Equipment
- Reduced Footprint

BENEFITS

- Eliminate Excess Capacity
- More Efficient Transportation Network
- Fully Utilized Workforces
- Significant Annual Savings
**CHANGES**

- Planning for new mail processing footprint and transport pattern
- Transitioning to 2-3 day service standard

**OUR APPROACH**

- Ongoing communication and collaborative solutions
Our Employees

559,000 | Total Career Employees
151,000 | Total Mail Processing Employees
35,000  | Fewer Mail Processing Positions
Topic

Area Mail Processing Study
DISTANCE BETWEEN FACILITIES – 158.7 miles
BUSINESS CASE*

Mail Processing Workhour Savings: $1,642,928
Mail Processing Management Savings: $247,228
Maintenance Savings: $1,581,468
Transportation Savings: $348,876
Proposed Annual Savings: $3,849,023

*Preliminary results subject to change
EMployee Impacts*

Net craft impacts: -55

Net management impacts: -3

All bargaining employee reassignments will be made in accordance with the respective collective bargaining agreements.

*Preliminary results subject to change
CUSTOMER & DELIVERY SERVICES

- Supports a 2-3 day service standard for First-Class Mail
- Retail and other services
- Business mail acceptance
- Collection mail
- Delivery of mail
- Local postmark
NEXT STEPS

- Complete Area and HQ review
- Review Public Comments
- Continue Network Optimization studies
Mail additional comments to:

Manager, Consumer & Industry Contact
Northland District
100 S 1st Street, Room 115
Minneapolis, MN 55401-9631

Must be postmarked by November 25, 2011