Lexington KY
Area Mail Processing (AMP)
Public Meeting

November 28, 2011
Two Topics

Radical Network Realignment

Area Mail Processing Study
Mail Volume Shifting to a Less Profitable Mix

First-Class Mail

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

Standard Mail

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

GROWTH
Capacity Expansion

1970

2006
NETWORK CAPACITY

GROWTH
Capacity Expansion

CONSOLIDATION
Excess Capacity

1970
2006
2013
Potential Decrease in Processing Facilities Through 2013

As of 8/31/2011

Processing Facilities

<table>
<thead>
<tr>
<th>Year</th>
<th>Facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>673</td>
</tr>
<tr>
<td>2007</td>
<td>623</td>
</tr>
<tr>
<td>2008</td>
<td>614</td>
</tr>
<tr>
<td>2009</td>
<td>599</td>
</tr>
<tr>
<td>2010</td>
<td>528</td>
</tr>
<tr>
<td>2011</td>
<td>487</td>
</tr>
<tr>
<td>2012</td>
<td>Less than 200</td>
</tr>
<tr>
<td>2013</td>
<td></td>
</tr>
</tbody>
</table>
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:
Lexington to Louisville – 73 miles
DISTANCE BETWEEN FACILITIES:
Lexington to Knoxville – 176 miles
BUSINESS CASE*

Mail Processing Workhour Savings: $5,179,558
Mail Processing Management Savings: $1,076,787
Maintenance Savings: $2,673,664
Transportation Costs: $107,018
Proposed Annual Savings: $9,037,028

*Preliminary results subject to change
EMPLOYEE IMPACTS*

Net craft impacts: -97
Net management impacts: -6

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
Kentuckiana District
P.O. Box 31631
Louisville, KY  40231-9631

Must be postmarked by December 13, 2011