Two Topics

Radical Network Realignment

Area Mail Processing Study
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
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

12:00 p.m.

In use

6:00 p.m.

6:00 a.m.

Proposed Operation

12:00 p.m.

In use

6:00 p.m.

6:00 a.m.
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
<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>559,000</td>
<td>Total Career Employees</td>
</tr>
<tr>
<td>151,000</td>
<td>Total Mail Processing Employees</td>
</tr>
<tr>
<td>35,000</td>
<td>Fewer Mail Processing Positions</td>
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Topic

Area Mail Processing Study
DISTANCE BETWEEN FACILITIES – 112 miles
<table>
<thead>
<tr>
<th>Category</th>
<th>Savings</th>
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<tbody>
<tr>
<td>Mail Processing Workhour Savings</td>
<td>$1,321,966</td>
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<tr>
<td>Mail Processing Management Savings</td>
<td>$248,861</td>
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<tr>
<td>Maintenance Savings</td>
<td>$183,057</td>
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<tr>
<td>Transportation Savings</td>
<td>$664,690</td>
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<tr>
<td>Proposed Annual Savings</td>
<td>$2,418,575</td>
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</tbody>
</table>

*Preliminary results subject to change*
EMPLOYEE IMPACTS*

Net craft impacts: -15

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 28, 2011