Tucson AZ
Area Mail Processing (AMP)
Public Meeting

December 28, 2011
Two Topics

Radical Network Realignment

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

First-Class Mail

Volume in Billions of Pieces

<table>
<thead>
<tr>
<th>Year</th>
<th>First-Class Mail</th>
<th>Standard Mail</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>98</td>
<td>103</td>
</tr>
<tr>
<td>2010</td>
<td>78</td>
<td>83</td>
</tr>
<tr>
<td>2016</td>
<td>54</td>
<td>85</td>
</tr>
<tr>
<td>2020</td>
<td>39</td>
<td>86</td>
</tr>
</tbody>
</table>
NETWORK CAPACITY

GROWTH Capacit y Expansion

1970

2006
Potential Decrease in Processing Facilities Through 2013

As of 8/31/2011

- 2006: 673
- 2007: 623
- 2008: 614
- 2009: 599
- 2010: 528
- 2011: 487
- 2012: Less than 200
- 2013: <200

Processing Facilities
Mail Processing Facility Footprint

487 Facilities Today

- Current Mail Processing Sites
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 – 112 miles
BUSINESS CASE*

Mail Processing Workhour Savings: $4,343,375
Mail Processing Management Savings: $2,305,317
Maintenance Savings: $6,623,493
Transportation Savings: $826,777

Proposed Annual Savings: $14,098,961

*Preliminary results subject to change
EMPLOYEE IMPACTS*

Net Craft position impact :  -128

Net Management impact:  - 19

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
Arizona District
PO Box 21628
Phoenix AZ  85036-1628

Must be postmarked by January 12, 2012