Beaumont TX P&DF
Area Mail Processing (AMP)
Public Meeting

May 16, 2013
Two Topics

Network Realignment Initiative

Area Mail Processing Study
Dire financial position requires urgent action to ensure continued mail delivery and to restore long-term self-sufficiency.
Mail Volume Shifting to a Less Profitable Mix

Volume in Billions of Pieces

First-Class Mail

- 2006: 98
- 2010: 78
- 2016: 54
- 2020: 39

Standard Mail

- 2006: 103
- 2010: 83
- 2016: 85
- 2020: 86

United States Postal Service®
Adapting to America’s Changing Mailing Habits

First-Class, Single-Piece Volumes

37% Decrease since 2007

Volume in Billions of Pieces
NETWORK CAPACITY

GROWTH Capacity Expansion

CONSOLIDATION Excess Capacity

1970

2006

2013
**Consolidate Excess Capacity**

- 417 processing facility network built to handle 250 billion pieces of mail.
- Current and projected volumes call for network of <250 facilities.
- 2012 Plan assumed all consolidations & service standard changes in 2012.
- In Summer 2012, adopted two-phase approach in order to allow Congress sufficient time to pass comprehensive Postal Reform legislation.
  - Phase 1 - Summer 2012 - Spring 2013.
  - Phase 2 - Spring 2014.
- Accelerating portions of Phase 2 Consolidations to June-Sept '13 without impacting service standard.
- $3.4 billion savings achieved in 2017, including workload effects.
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
Career Employees – Reduced by 168,000 (24%) during last six fiscal years, without layoffs

(in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>'06</td>
<td>696</td>
</tr>
<tr>
<td>'07</td>
<td>685</td>
</tr>
<tr>
<td>'08</td>
<td>663</td>
</tr>
<tr>
<td>'09</td>
<td>623</td>
</tr>
<tr>
<td>'10</td>
<td>584</td>
</tr>
<tr>
<td>'11</td>
<td>557</td>
</tr>
<tr>
<td>'12</td>
<td>528</td>
</tr>
<tr>
<td>Feb. 28, '13</td>
<td>496</td>
</tr>
</tbody>
</table>
AREA MAIL PROCESSING STUDY

• Outgoing Mail from Beaumont Service Area is currently processed at North Houston (10/01/12)

• This study is to determine the feasibility of moving the destinating volumes to the North Houston P & DC.
DISTANCE BETWEEN FACILITIES – 87.5 miles
**BUSINESS CASE**

<table>
<thead>
<tr>
<th>Description</th>
<th>Savings ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mail Processing Workhour Savings</td>
<td>$ 1,736,998</td>
</tr>
<tr>
<td>Mail Processing Management Savings</td>
<td>$ 304,626</td>
</tr>
<tr>
<td>Maintenance Savings</td>
<td>$ 2,447,644</td>
</tr>
<tr>
<td>Transportation Savings</td>
<td>$ 1,309,686</td>
</tr>
<tr>
<td>Proposed Annual Savings</td>
<td>$ 5,798,954</td>
</tr>
</tbody>
</table>

*Preliminary results subject to change*
EMPLOYEE IMPACTS*

Craft Employees Impacted at Beaumont TX P&DF - 94
Proposed Craft Positions to be added at N. HOU P&DC + 55
Net Craft Employees impacts due to consolidation - 39
Net Management Impact + 8

Net Employee Reduction -31

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
ONLY ONE PART OF OUR PLAN TO:

- Preserve the ability to provide and finance secure, reliable and affordable universal delivery service
- Further economic growth and enhance commerce
- Implement comprehensive transformation for a long-term sustainable financial future
- Protect U.S. taxpayers (avoid federal funding and appropriations)
- Maintain fairness to employees and customers
NEXT STEPS

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

Manager, Consumer & Industry Contact
Houston District
401 Franklin Street, Room 515
Houston, TX 77201-9631

Must be postmarked by May 31, 2013