



## MODIFIED NETWORK CONSOLIDATION PLAN

On May 17, the Postal Service announced plans to move ahead with a modified plan to consolidate our network of mail processing facilities. The plan will be implemented in two phases, and although some consolidation activities will begin this summer, there will be no facility closures this summer. The phased approach provides a longer planning schedule for our customers, employees, and other stakeholders, and it enables a more methodical and measured implementation.

- Phase one of implementation is enabled by an initial modification to the existing service standard rule which would reduce the reach for overnight mail delivery service to local areas. (A service standard is a stated commitment by the Postal Service that represents the number of days it should take to deliver mail between specific ZIP Codes within the United States and its territories.)
- Due to heightened mail volumes predicted for the election and holiday mailing seasons, no consolidation activities will be conducted from September 1, 2012 through December 31, 2012.
- Consolidation activity undertaken this summer will mostly involve transferring of mail processing operations from smaller to larger facilities.
- Beginning in early 2013, the Postal Service will resume consolidation activities enabled by the first phase of the implementation plan for the new delivery service standard rule, and will consolidate up to 140 mail processing plants during this phase of implementation.
- These consolidation activities will reduce the size of the Postal Service workforce by approximately 13,000 employees and, when fully implemented, will generate cost reductions of approximately \$1.2 billion annually.
- Unless our circumstances change, the Postal Service intends to further tighten the overnight delivery standards in 2014, which will enable the consolidation of an additional 89 mail processing locations.
- A total of up to 229 of the existing 461 mail processing centers will be consolidated by the time the plan is fully implemented in 2014.
- When fully implemented in 2014, the Postal Service expects that its network consolidation plan will result in approximately \$2.1 billion in annual cost reductions, and lead to a total workforce reduction of approximately 28,000 employees.

## EMPLOYEE NOTIFICATIONS

Approximately 5,000 employees will begin receiving notifications the week of May 20 related to consolidation activities to be conducted this summer.

The USPS is working with its unions on an employee retirement incentive, although no final decision has been made.

## BACKGROUND

On Sep. 15, 2011, the USPS announced that its massive nationwide infrastructure was no longer financially sustainable, and it would begin studying 252 mail processing facilities for possible closure. At that time, the USPS also announced in an Advance Notice of Proposed Rulemaking published in the *Federal Register* that it would be considering changes to service standards. On December 5, 2011, the USPS filed a request with the Postal Regulatory Commission (PRC) for an advisory opinion regarding service standard changes that would enable a significant rationalization of its mail processing network. Shortly thereafter, the USPS published a Notice of Proposed Rulemaking in the *Federal Register* soliciting public comment on the specific proposed changes to our delivery service standards.

## SERVICE STANDARDS CHANGE

The modified network consolidation plan requires a change in service standards. A Final Rule on Service Standards will soon be published in the *Federal Register*. The final rule will be implemented in a two-phase process that will initially reduce the geographic reach of overnight service to local areas and ultimately further tighten the overnight mail delivery standard.

- These new service standards, which will be implemented in phases, will preserve overnight delivery of this mail within the local delivery area of our processing plants through the end of 2013, and enable the Postal Service to begin right-sizing our mail processing network to match declining mail volumes.
- Approximately eighty percent of current overnight delivery for First-Class Mail will be preserved through the end of 2013.
- The second phase of our implementation plan for the new rule, which will begin in February of 2014 unless the circumstances of the Postal Service change, will further restrict overnight delivery service and will enable us to further right-size our mail processing network.

The Postal Service does not have the mail volumes to justify the size and capacity of our current mail processing network. The Postal Service recorded a financial loss of \$3.2 billion for Quarter 2 Fiscal Year (FY) 2012, and is currently projecting a \$14 billion net loss in FY 2012. These results continue a trend of substantial net losses of \$5.1 billion in FY11, \$8.5 billion in FY10, and \$3.8 billion in FY09.

The Postal Service is committed to generating the cost reductions necessary to return to financial health and long-term financial stability. The modified network operations plan to consolidate our mail processing network represents a measured and methodical approach that will have a minimal impact on our business and residential customers.

For the Postal Service to return to financial health and to keep mail affordable, we must match our network to the anticipated workload. This modified plan allows the Postal Service to meet cost reduction goals, ensures a seamless process that preserves excellent service performance throughout the implementation period, and provides adequate time for customers to adapt to the network changes.

The list of 140 mail processing locations to be consolidated by February of 2013 is available at <http://about.usps.com/news/electronic-press-kits/our-future-network/welcome.htm>.

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